

THE IRANIAN CHALLENGE

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THE IRANIAN CHALLENGE

TUESDAY, MARCH 6, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 2:04 p.m. in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The meeting will come to order.

For decades to come, the world's preeminent historians will analyze the Iraq War and its manifold impact. But one impact is already clear: When dealing with a looming threat to international peace and security, Congress will insist that all—and I mean all—diplomatic and economic remedies be pursued before military action is undertaken.

We are far from having exhausted all diplomatic and economic options for stopping Tehran's headlong pursuit of nuclear weapons. Talk of military intervention is unwise and unsupported by Congress and the American people.

I am very pleased that the administration has recently reversed course and will join Iran and Syria for discussions on stability in Iraq. Perhaps this diplomatic contact with Iran might pave the way for a broader dialogue with Tehran designed to breach the gulf between our two nations.

Diplomacy with Iran does not stand a chance unless it is backed by strong international sanctions against the regime in Tehran. Iran's theocracy must understand that it cannot pursue a nuclear weapons program without sacrificing the political and economic future of the Iranian people.

That is why this week I am introducing the Iran Counter-Proliferation Act of 2007. The objective of my legislation is two-fold: To prevent Iran from securing nuclear arms and the means to produce them. And to ensure that we achieve this goal in a peaceful manner.

My legislation will increase exponentially the economic pressure on Iran, and empower our diplomatic efforts by strengthening the Iran Sanctions Act. It will put an end to the administration's ability to waive sanctions against foreign companies that invest in Iran's energy industry.

Until now, abusing its waiver authority and other flexibility in the law, the Executive Branch has never sanctioned any foreign oil company which invested in Iran. Those halcyon days for the oil industry are over. If Dutch Shell moves forward with its proposed \$10 billion deal with Iran, it will be sanctioned. If Malaysia moves

forward with a similar deal, it too will be sanctioned. The same treatment will be accorded to China and India should they finalize deals with Iran.

The corporate barons running giant oil companies—who have cravenly turned a blind eye to Iran's development of nuclear weapons—have come to assume that the Iran Sanctions Act will never be implemented. This charade will now come to a long overdue end.

My legislation goes beyond the waiver issue. If a nation aids Iran's nuclear program, it will not be able to have a nuclear cooperation agreement with the United States. Import sanctions will be re-imposed on all Iranian exports to the United States.

The Clinton administration lifted sanctions on Iranian carpets and other exports in an effort to encourage Tehran to undertake a dialogue. It is self-evident that this diplomatic breakthrough has not occurred, and the favor offered Iran will now be revoked.

My legislation also calls on the President to declare the Iranian Revolutionary Guard Corps a terrorist group. The Revolutionary Guard and its Quds Force train terrorists throughout the Middle East, including in Iraq and in Lebanon.

The Revolutionary Guard, which is a major base of support for Ahmadinejad, owns huge economic enterprises in Iran. Foreign banks will think twice about dealing with these enterprises once the Guard is declared a terrorist organization. All of these actions will deprive Iran of the funds that currently support and sustain its nuclear program.

I will also join with my distinguished colleague, Barney Frank, the chairman of the Financial Services Committee, in introducing legislation to limit the pension fund investment in foreign companies that pour money into Iran's energy industry. A variety of means will be used for this purpose from "name and shame" for private funds to mandating divestment for public funds.

I want to acknowledge with pleasure Ranking Member Ros-Lehtinen's leadership on the Iran divestment issue and other Iran sanctions legislation, and I fully anticipate that key elements of her proposals will be incorporated in our bipartisan bill.

The reason for this all-encompassing approach—and for its urgency—is that we have so little time. Iran is forging ahead with its nuclear program, in blatant defiance of the unanimous will of the U.N. Security Council and the International Atomic Energy Agency. Before it is too late, we must try to persuade others to join us in increasing the diplomatic and economic pressure on Iran and, where necessary, we must give them incentives to do so.

I now turn to my friend and colleague, the esteemed ranking member of this committee, Ileana Ros-Lehtinen, for any comments she might choose to make.

MS. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you, Under Secretary Burns, for testifying before our committee today.

There are a growing number of voices arguing for the United States to engage Iran and even to enter into negotiations with its regime. I believe that this would be a disastrous mistake.

Direct or indirect U.S. engagement with the Islamic regime without preconditions would only be interpreted as evidence that, regardless of what the United States proclaims about our resolute op-

position to Iran's destructive policies, we will in fact overlook that regime's continuing support of terrorists, including those like Hamas and Hezbollah. We will ignore its moves to dominate the Persian Gulf and its defiance of U.N. resolutions. Worse, it undermines our all important efforts to stop Iran from acquiring nuclear weapons.

Our willingness to discuss diplomatic ties, and the removal of North Korea from the list of state sponsors of terrorism, in exchange for initial temporary assurances from North Korea further undermines our efforts in dealing with Iran.

We must stay focused on denying the Iranian regime the political and the diplomatic legitimacy, the technology, and the resources to continue its destructive policies. We are at a critical juncture, and the opportunity for successful application of our sanctions has never been greater.

Iran's economy is heavily dependent on its energy sector, which requires foreign investment. According to James Phillips of the Heritage Foundation:

"The United States should lead international efforts to exploit Iran's Achilles heel, its faltering economy. High oil prices have boosted the Iranian regime, but allowed it to postpone long-needed economic reforms. Iran's rapidly growing population is plagued by high unemployment, high inflation, endemic state corruption, and low economic growth. Iran's oil exports, which provide about 85 percent of export revenues, are projected to shrink without huge injections of foreign investment, technology, and expertise."

Also, Jim Woolsey, the former director of the CIA, made the following assessment during his testimony in front of our committee in January. He said:

"Iran's economy is driven by oil exports, and we have indeed begun to have some effect on its oil production by our efforts, although they could well be intensified to dry up its oil and gas development."

In order to succeed in placing the necessary economic pressure on Iran, it is critical that we follow up with our two-track strategy and have it be implemented. The first is what we can do ourselves, which is enforcing our existing laws and building upon them, and, secondly, convincing other nations that they must take effective action and simply not hide behind the U.N. Security Council to avoid their own obligations. These nations must either show that they are committed to nonproliferation, or face consequences in their relations with the United States.

At the crux of securing such commitment from other nations is full implementation of all sanctions under United States law, namely the Iran Sanctions Act. This and other Iran-related laws were strengthened by the Iran Freedom Support Act, which I introduced last Congress with my distinguished colleague, the chairman of the full House Foreign Affairs Committee, Tom Lantos, and which was signed into law by the President in September of last year.

In the last few months, as the chairman pointed out, there have been multiple reports of proposed investment deals in Iran in Iran's energy sector that would be in violation of some of these laws. Some of the firms include China's National Offshore Oil Corporation, Australia's LNG Company, Royal Dutch Shell, in cooperation with Spain's Repsol, and Malaysia's SKS.

These entities are testing the resolve of the United States, and we are failing to meet those challenges. In many of these proposed investment deals in Iran's energy sector, foreign governments and export credit agencies would help to subsidize these investments. Yet rather than make it clear to these entities and their government that we will implement the Iran Sanctions Act to the fullest extent, the Department of State refuses to enforce these sanctions.

Mr. Chairman, I have a longer statement that I would like to be placed in the record.

Chairman LANTOS. Without objection.

[The prepared statement of Ms. Ros-Lehtinen follows:]

PREPARED STATEMENT OF THE HONORABLE ILEANA ROS-LEHTINEN, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Thank you, Mr. Chairman. Thank you, Undersecretary Burns for testifying before this Committee today.

There are a growing number of voices arguing for the U.S. to engage Iran, and even to enter into negotiations with its regime.

I believe that this would be a disastrous mistake.

Direct or indirect U.S. engagement with the Islamist regime without preconditions would only be interpreted as evidence that, regardless of what the U.S. proclaims about our resolute opposition to Iran's destructive policies, we will in fact overlook that regime's continuing support of terrorists, such as Hamas and Hezbollah, its moves to dominate the Persian Gulf, and its defiance of UN resolutions.

Worse, it undermines our all-important efforts to stop Iran from acquiring nuclear weapons.

Certainly, our willingness to discuss diplomatic ties and the removal of North Korea from the list of state-sponsors of terrorism in exchange for initial, temporary assurances from North Korea, further undermines our efforts in dealing with Iran.

We must stay focused on denying the Iranian regime the political and diplomatic legitimacy, technology and resources to continue its destructive policies.

We are at a critical juncture and the opportunity for successful application of our sanctions has never been greater.

Iran's economy is heavily dependent on its energy sector, which requires foreign investment.

According to James Phillips of the Heritage Foundation:

"The United States should lead international efforts to exploit Iran's Achilles heel, its faltering economy. High oil prices have boosted Iran's regime but allowed it to postpone long-needed economic reforms. Iran's rapidly growing population is plagued by high unemployment, high inflation, endemic state corruption, and low economic growth. Iran's oil exports, which provide about 85 percent of export revenues, are projected to shrink without huge injections of foreign investment, technology, and expertise."

Furthermore, Jim Woolsey, former director of the Central Intelligence Agency, made the following assessment during his testimony in front of this Committee in January:

"Iran's economy is driven by oil exports, and we have indeed begun to have some effect on its oil production by our efforts, although they could well be intensified to dry up its oil and gas development."

In order to succeed in placing the necessary economic pressure on Iran, it is critical that the following two-track strategy be effectively implemented.

The first is what we, ourselves can do, including enforcing our existing laws and building upon them.

The second prong includes convincing other nations that they must take effective action and not simply hide behind the UN Security Council to avoid their obligations as responsible nations.

These nations must show that they are committed to non-proliferation, or face consequences in their relations with the U.S.

Regarding our own options, it is imperative that we implement all sanctions already available to us under current U.S. law, namely the Iran Sanctions Act.

This and other Iran-related U.S. laws were strengthened by the Iran Freedom Support Act (IFSA), which I introduced last Congress with my distinguished colleague Chairman Lantos, and which was enacted into law in September of last year.

In the last few months, there have been multiple reports of proposed investment deals in Iran's energy sector that would be in violation of U.S. law.

Some of the firms include China's National Offshore Oil Corporation (CNOOC), Australian LNG Co., Royal Dutch Shell in cooperation with Spain's Repsol company, and Malaysia's SKS.

In many of these proposed investment deals, foreign governments and export credit agencies would help to subsidize these investments.

Yet, rather than making it clear to these entities and their governments that we will implement the Iran Sanctions Act to the fullest extent, the Department of State refuses to enforce the sanctions.

We must also hold export credit agencies, insurers, and other financial institutions accountable for their facilitation of investments in Iran's oil industry and subject them to sanctions as well.

According to Ambassador Greg Schulte, the chief U.S. representative to the IAEA, the European governments must discontinue granting credits "to subsidize exports to Iran," and they must "take more measures to discourage investment and financial transactions."

To close this loophole, I introduced H.R.957 with our distinguished Chairman.

This bill was passed by this committee last month and I hope it will be considered expeditiously by the full House.

This bill also seeks to expand the activities covered under the law to include petrochemicals and liquefied natural gas, as well as impose liability on parent companies for violations of sanctions by their foreign entities.

Today, I will also be introducing a bill aiming to put even more pressure on the Iranian regime by requiring that pension funds and savings plans are divested from investments in Iran.

I am especially grateful that our distinguished Chairman, Tom Lantos, has agreed to co-sponsor this bill.

The bill requires that all federal pension and savings plans be divested from Iran and includes a sense of Congress urging private funds to divest.

Moreover, the bill mandates that all future investments in federal and private funds be divested.

That said, even as we strengthen the implementation of our own laws and take further steps to isolate and punish the Iranian regime, we must convince our allies and other countries that they must significantly increase theirs as well.

Thus far, the burden of isolating Iran economically has almost entirely been carried by the United States.

We hear a great deal of rhetoric from other countries about the need to do something, but concrete action on their part is rare.

In fact, for many countries, it is business as usual.

Even as we try to persuade our allies and others to increase the financial pressure on Iran by blocking investment in its oil and gas sector, other countries, such as China, have clearly demonstrated that they intend not only to continue a business-as-usual policy, but to greatly expand it.

For its part, Russia has repeatedly blocked substantive action by the UN against Iran and has become a major source of conventional arms to Tehran, which the regime is using to realize its ambition of dominating the Persian Gulf and the world's oil supply, as well as spread the Islamic revolution.

As recently as last month, even as Iran continued its defiance of a UN deadline, Pakistani and Indian officials were in Tehran negotiating the terms of a multi-billion dollar project to build a natural gas pipeline from Iran through Pakistan to India.

What signal could this possibly send to the regime in Tehran other than that these countries will do nothing to hamper Iran's ambitions?

Far from applying pressure on Iran's financial situation, the actions they are consciously taking reveal that they in fact plan to strengthen it.

These countries and others have repeatedly pledged cooperation with the U.S. across a broad range of foreign policy issues, and many are even seeking a special status and generous consideration in many areas.

Russia is seeking stronger trade relations with the U.S., in particular, the lifting of Jackson-Vanik sanctions, to advance its economic positioning.

China fears that the U.S. may take stronger action against Beijing to penalize its tolerance of intellectual piracy regarding U.S. products.

Pakistan wants to acquire a range of advanced U.S. weaponry.

India is seeking a precedent-setting nuclear energy deal with the U.S.

And yet each of these countries is confident that it can engage in actions that undermine U.S. policy toward Iran without penalty.

I believe the time has come for the U.S. to make clear to other countries that Iran's pursuit of nuclear weapons is not a U.S. problem, but a global one, and that we expect a global response.

That message cannot come from the UN alone.

It is only with great difficulty that the U.S. has managed to persuade Russia and China to stop putting up roadblocks and allow the UN to approve what in truth is a bare minimum of sanctions and other measures against Iran.

But these countries have made clear that they will continue to use their vetoes to prevent truly punitive actions, regardless of what Iran does or does not do.

If the U.S. is truly committed to stopping Iran's nuclear program, we must make clear to our allies and other countries that we will hold them accountable for their policies regarding with Iran, that unless they adopt and enforce far more stringent measures than the minimal steps cautiously put forward by the UN, our relations will be directly affected.

There can be no business as usual regarding direct threats to our national security.

Many in this country and around the world are fearful that the U.S. is considering war with Iran as an option.

President Bush has said that "all options" are on the table.

The measures I have outlined, move us away from even having to consider military action.

If the regime in Tehran is convinced that the U.S., the West, and the international community as a whole will continue to increase its isolation and immediately ratchet up the financial and other pressure on it, until it abandons its efforts to acquire nuclear weapons, it will eventually change course, just as Libya did.

Our efforts to engage Iran significantly undermine that simple message.

I hope the Administration understands this reality and will be able to make the rest of the world understand it as well.

I would also like to add that yesterday Interpol made a decision to issue capture notices for six people, including five Iranian officials and one Hezbollah leader suspected of planning the 1994 bombing of a Jewish community center in Buenos Aires, Argentina which killed 85 and injured more than 150 innocent people.

This is yet another reminder that the Iranian threat is not limited to the Middle East and that we are dealing with a global problem that will require a robust and comprehensive strategy to be resolved.

Thank you Mr. Chairman

Ms. ROS-LEHTINEN. I yield back the balance of my time. Thank you.

Chairman LANTOS. Thank you very much.

I am pleased to recognize the distinguished chairman of the Middle East and South Asia Committee, Mr. Ackerman.

Mr. ACKERMAN. Thank you very much, Mr. Chairman. I fully concur with the statements both of you and the ranking member.

The situation we face today is grave. Over the past few years, Iran's nuclear program has made significant progress that, if unchecked, will soon give the mullahs mastery of the nuclear fuel cycle. Once that happens, Iranian nuclear weapons capability will only be a matter of choosing by Tehran.

At the same time, Iran is continuing to destabilize the Middle East through Shia sectarianism, combined with the strategic use of violent Islamic proxies. These efforts have brought chaos and disaster to the Palestinians, to Lebanon and to Iraq.

And America, we are badly mired in Iraq and our coalition of the willing is rapidly dissolving. So many Americans have lost confidence in the Bush administration that there is now growing pressure to legislatively fence off any military options concerning Iran.

To those who are horrified by the implication of this development, I would say that serial incompetence and mendacity comes with a political price, not just a Presidential medal of freedom.

The world's response to Iran has been too slow and too soft, and our misadventure in Iraq has certainly complicated our efforts to deal with this threat. It does appear, however, almost by process of elimination that the administration has begun to implement a new policy toward Iran.

Instead of just blustering about options being on the table, we now have carrier battle groups in the Persian Gulf. Instead of merely lecturing other nations, we now have a regular serious dialogue with the Gulf Plus Two group and are patiently working the Iran question through the Security Council. Likewise, we have suddenly taken away the Iranian Revolutionary Guard's *carte blanche* to instigate murder and mayhem in Iraq.

But, there is much more the administration could be doing. The President has at his disposal imposing indeed a massive set of authorities made available to him through numerous laws and executive orders. United States laws have been used occasionally to punish Iran, but any honest assessment of the past 6 years would conclude that the large corpus of antiterror and antiproliferation laws and authorities have never been used aggressively or comprehensively or effectively either as bargaining chips or as weapons, and for this failure there is no excuse.

The Iranian threat is as serious as the President has said. If it is unacceptable, and that word has grave implications, then we ought to be seeing a much more aggressive use by the administration of the large and largely ignored set of tools that bipartisan majorities in Congress have provided to the executive.

Under Chairman Lantos' leadership Congress is going to keep up the pressure on the administration to act. We believe a comprehensive Iran policy requires bigger carrots and bigger sticks. As the chairman has made clear and as chairman of the subcommittee I would state that bigger sticks are on the way. The question for the administration is the same as always: What are they going to do with them?

I look forward to hearing from our very distinguished witness as to the answers to those questions.

I yield back the balance of my time.

Chairman LANTOS. Thank you very much.

I am pleased to recognize for 3 minutes the distinguished ranking member of the subcommittee, Mr. Pence.

Mr. PENCE. Thank you, Mr. Chairman. Thank you for calling this hearing, and I wish to extend a personal welcome to Secretary Burns. Thank you for your service to this country and for your participation today.

Our witness today says, to no one's surprise, that Iran has "long been the world's leading state sponsor of terrorism." I note a curious paradox. The lesson of the Iran-Contra Affair 20 years ago was that we don't negotiate with terrorists, specifically Iran.

Today it seems that many of the critics of President Bush and the Bush administration want to know why we haven't negotiated with terrorists already, in this case specifically Iran. Similarly, many in Congress and some on this committee agree that our ally, Israel, should not negotiate with Hamas until they meet basic standards of international conduct, and I agree strongly with that principle, and yet we, the United States, I would ask should negotiate with one of Hamas' leading state sponsors in pursuit of what exactly I would ask rhetorically.

Rarely has so much hope been placed in so little performance with respect to the hope placed in these negotiations. I have concerns about the wisdom of inviting Iran and Syria to talks with the United States and the Iraqi Government. Their President continues to be and to posture himself as a global menace.

Just today while some hailed negotiations, Iranian President Mahmoud Ahmadinejad called on Hamas "to continue resistance until deliverance from Zionist Israel." He went on to say, "The time of fulfillment of the God-like promise is near. The Zionist regime," meaning Israel, "is going through its worst phase and is on the verge of," his word now, "elimination."

It appears that the process involving the U.N. Security Council resolutions on Iran and potential sanctions are giving us additional leverage, and yet we are moving their direction, it seems from my vantage point, in inviting them to a regional conference. What possible commonality of interests do we think we share with them?

Iran has been implacably hostile for decades. The President coined it as the axis of evil, one of only a handful of countries with which we have no diplomatic relations. As Secretary Burns says, "confrontational ideology and blatant anti-Americanism."

As President Bush made clear at his press conference last month, Iran is responsible for its weaponry through the Quds Force that has been used to target United States troops in Iraq. Unclassified reports link these armaments to perhaps 170 of the more than 3,000 American soldiers who have died in Iraq.

Given these facts, how we have any room whatsoever for discussion is a matter of grave concern to me, and I am therefore greatly interested in the testimony of our distinguished witness today and yield back.

Chairman LANTOS. Thank you very much.

I am pleased to call on my friend from California, the chairman of the Terrorism, Nonproliferation, and Trade Subcommittee, Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman.

Time is running out. A few years from now Iran will have nuclear weapons, and it is more likely that they will try to smuggle them into an American city than it is that they will give them up in return for 1 million tons of heavy fuel oil.

Our policy has failed to seriously impair Iran's nuclear program, and the centrifuges turned yesterday, they turn today, and they will turn tomorrow. We are now schizophrenically lurching forward to apply some additional economic pressure while ignoring opportunities to apply pressure in other ways.

Most importantly, at the United Nations we have secured sanctions resolutions that are somewhere between pitiful and inad-

equate. They have, of course, failed to change Iran's policy. The reason for our failure at the U.N. is our failure to bargain in good faith with Russia and China on issues important to them in order to secure their very strong votes at the U.N. Security Council.

Our Treasury Department has stopped dollar transactions by two Iranian banks, leaving them open with the other four major Iranian banks. As the chairman points out, the Iran-Libya Sanctions Act worked with regard to Libya, and we fail to enforce it with regard to Iran.

We opened our doors to imports from Iran, and I want to commend the chairman's bill for closing that door finally, but when they were first opened I said that there was blood in the caviar. It is not 7 years later. It is time to close that door as long as Iran continues its policies.

At the World Bank concessionary loans are made to Iran. We vote no quietly and then acquiesce. We should not take the military option off the table, but certainly we should not use it as a first resort. We have failed to negotiate with Iran, failed to negotiate with Russia and China about Iran and about issues of concern to Russia and China. We have failed to stop the centrifuges.

More of the same will leave the next President with a truly grave national security crisis. At best, Iran having nuclear weapons is like a Cuban Missile Crisis every week.

I yield back.

Chairman LANTOS. Thank you.

I am pleased to call on my friend from California, the distinguished ranking member of the Terrorism, Nonproliferation, and Trade Subcommittee, Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman, and welcome, Ambassador Burns.

We have a regime here that is actively seeking nuclear weapons, that is aiding Hezbollah and destabilizing Iraq. I saw the consequences of some of its work when I was in Haifa and rockets were coming down on the town. I was in Rhomba Trauma Center talking to some of the wounded.

This sewing of terror is something that President Ahmadinejad does very, very well. We are going to have to be very, very creative in approaching Tehran. We are going to have to use several tracks I think to keep this regime in check.

We should be promoting political change inside the country. We have no problem with the Iranian people. Obviously it is the regime that is odious, and we need to make that clear.

We should continue using the financial lever. We have to make it clear to European and other financial institutions there that the risk of doing business with that regime is considerable. We have to do something in the U.N. to make it clear, I think, to the Europeans that export credit agencies, particularly the Germans and Italians, should reevaluate what they are doing there.

I think it will be increasingly difficult for Iran to be part of the international financial system frankly because of this pressure, but also because of the poor state of the Iranian economy, which is almost imploding according to economists inside the country.

Inflation is way up, headed toward hyperinflation. Government spending is spiraling out of control. The oil windfall is being mis-

managed, which is common throughout the world in terms of oil windfalls. Unemployment is sky high in the country. Iran's Oil Minister admitted that international financial pressure has stunted its oil industry.

It appears that public opinion is turning against President Ahmadinejad, who is responsible frankly for this economic misery because he is running this thing, micromanaging the economy and not allowing the market to work internally.

The Iranian people are beginning to challenge his reckless nuclear policies. The President there has set his country in conflict against his region and in conflict against the world, and that is beginning to have an impact on the man on the street and on women in Iran.

Fortunately, Iranians are coming to question his pursuit of nuclear weapons, which only serves to impoverish that country. We should be doing all we can to help Iranians better understand this through our public broadcasting and diplomacy, including exchanges, but also by unrelenting financial pressure until Iran changes that course of terrorism and developing nuclear weapons.

Financial pressure, in my view, has worked against North Korea. I think that that financial pressure is what got them to the table. It is working against Iran right now. It should be intensified.

Ambassador Burns, that is part of your charge. Thank you very much for being with us today.

Chairman LANTOS. Thank you very much.

The Chair will now give an opportunity for every member to make a 1-minute statement if he or she so desires. Mr. Payne.

Mr. PAYNE. Thank you very much, Mr. Chairman. It is good to see you, Ambassador Burns.

I think this is a very important issue that we are dealing with, and I think there tends to be some difference of opinion on members of the committee about whether there should be negotiations and discussions with Iran or not. I think that is probably one of the key differences.

I think we all agree that Iran is a terrible threat. I think that we need to deal with it. I do recall that back in 1941 President Roosevelt called Japan after the infamous attack on the United States and its partners, the axis, and they were the three countries that we had to defend ourselves against. We hear the same term about the axis of evil used with Iran, North Korea and Iraq.

I think that we are finding ourselves in another similar situation. However, we are negotiating with North Korea, and we have people say we shouldn't negotiate with Iran.

I think that one of our big problems is that we have inconsistency in our program. I hear of us having problems with PRC. We will put—

Chairman LANTOS. The gentleman's time has expired.

Mr. PAYNE. Okay—Iran on financial things, but you have countries like China that will then lend them money where we continue to give China all of our business. This inconsistency we really have to straighten out.

Chairman LANTOS. Mr. Smith of New Jersey.

Mr. SMITH OF NEW JERSEY. Thank you, Mr. Chairman.

We are here to focus on the enormous threat posed by Iran, a threat not just to the United States, Iraq, Israel and the region, but a compelling threat to the world.

President Ahmadinejad's tirades about Israel and his denial of the Holocaust reveal his bigotry, his unseemly hate. Thankfully he is not the only voice, but at present day he is the dominant one.

We are fortunate to have such a skilled and accomplished and determined diplomat in Ambassador Nick Burns, and we welcome you again.

On another front, Mr. Chairman, just let me bring to the attention of the committee that Vietnam, obviously not the subject of today's hearing, but nevertheless this happened just a few hours ago, having recently gained another step in United States economic cooperation has instituted a new wave of crackdowns and arrests.

One of the lawyers that I met when I was in Vietnam recently, a man by the name of Di who is a modern day human rights activist equivalent to the people that we saw in Eastern Europe, was arrested, as was Father Ly and so many others in Vietnam.

We need to take this up with the committee. It is reason for grave concern that Vietnam is now turning back to its old ways of repressions and arrests.

Chairman LANTOS. Thank you, Mr. Smith.

Mr. Wexler.

Mr. WEXLER. Thank you, Mr. Chairman.

Ambassador Burns, I have the utmost enormous respect for you, and thank you for being here. Just help me understand, please, the administration's policy.

In 2003, allegedly the Iranians make an offer where they say they will stop their enrichment, they will consider a two-state solution, and they will consider stopping the funding of Hezbollah. We refuse to address them. We don't negotiate. That wasn't good enough.

Now they offer nothing and we negotiate. Help me understand that, please.

Chairman LANTOS. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much.

First and foremost I would like to identify myself with the opening remarks of the chairman, Chairman Lantos, and Ranking Member Ros-Lehtinen. I think that they both reflect the commitment of the people in this committee.

I would just like to raise this as a point as we move forward today, and that is certainly Iran poses a threat. I am with everybody so far in everything that has been said about getting tough. We need to do that. I certainly don't believe we should go into negotiations until after they have promises to at least cease developing their nuclear program while we talk.

Let me note that it is disturbing to me that the threat posed by Iran seems to be being used as an excuse not to hold Sunnis, Sunni regimes like the Saudis and others, accountable for their support in the mayhem that is going on in Iraq. I mean, most of these bombs that are going off are Sunni bombs killing Shiites. They are not coming from Iran, and we should hold the Saudis accountable for this.

It seems to me the administration seems to be tilting away to try to focus attention on Iran right now when we should be holding the Saudi and other Sunni regimes accountable for what their wrongdoing is.

Thank you very much.

Chairman LANTOS. Thank you very much.

Ambassador Watson.

Ms. WATSON. Thank you, Mr. Chairman, and I want to welcome Ambassador Burns. We look forward to your testimony.

I am very pleased to join with the Chair, Chairman Lantos, as he expressed various strategies for dealing with Iran and the sanctions, and I would hope that military options are on the bottom of the list and maybe not on the list at all.

I have an issue that has been mentioned by all the other people who preceded me, and that is we understand from Ambassador Holbrook, who was here last week, that the United States would consider and the State Department agreed to participate in a series of gatherings for Iraq's neighbors, which would include Iran and Syria, but all of a sudden they have backed away from that plan and backed away from conducting bilateral meetings with the Iranians at this gathering or these series of gatherings.

I hope as you respond that you will address that issue. Thank you so much for coming. I look forward to your testimony.

Thank you, Mr. Chairman.

Chairman LANTOS. The gentleman from Ohio, Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman.

When one thinks of President Ahmadinejad, he is probably the epitome of what Islamic fundamentalism and the danger of it is around the world, somebody that denies that the Holocaust occurred and that wants to have Israel wiped off the face of the earth.

I would urge my colleagues today if they get an opportunity to go over and view a documentary called Obsession, which is running around the clock over there in the family room on the third floor of the Capitol Building. I saw most of it earlier today.

Members of the public, I am guessing that documentary is probably available through one source or another. It is very eye-opening.

I would also like to mention that I had the opportunity over the break to be in Bangladesh and the Philippines, and in the Philippines they clearly have a resurgence of problem with Islamic fundamentalism.

In Bangladesh this committee passed House Resolution 64 relative to Shoaib Choudhury, who is a journalist on trial for trying to bring out the problems with Islamic fundamentalism. He has been beaten. He has been tortured. He was jailed for 17 months, and his trial is coming up. I think we should continue to focus attention on that. I would like to thank our committee for doing that and Mr. Kirk especially.

Thank you.

Chairman LANTOS. Thank you.

Ms. Woolsey of California.

Ms. WOOLSEY. I yield my time.

Chairman LANTOS. Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr. Chairman.

Congresswoman Watson indicated she hopes that there is no military response that will even be on the table or ever be mentioned. She hopes it is not part of the agenda.

I will tell you I think personally that, I mean, I pray to God that we never have to reach that stage, but the most dangerous situation I can imagine is to tell the world, tell Iran in particular, that that is not on the table and to in fact not leave it as part of the set of possibilities open to us.

Ed Luttwak, as you are familiar with I am sure, wrote a fascinating piece in the *Wall Street Journal* on February 27 in which he talked about the various divisions inside Iran that we should concentrate on. Beyond just the economic problems there are, of course, ethnic divisions, the Kurds, especially the Azaris, 20 million Azaris, probably the largest single element inside the country that you could call disaffected, and there are several others. Also, the religious persecution that is ongoing.

I hope that you will in your testimony talk about that, sir, and to what extent you think we can exploit those divisions.

Chairman LANTOS. Thank you.

Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Mr. Chairman. I wish to pass and yield back.

Chairman LANTOS. Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Chairman.

It is good to have you here, Ambassador Burns. I had the opportunity, as you know, to serve on the NATO Parliament when you were Ambassador, and I say opportunity since I learned a great deal through your leadership.

Not too long ago I was asked to go over and do the Voice of America broadcast to Iran. I have been very critical of our outreach efforts in the past and some of the things we are trying to do. Mr. Woolsey was here not too long ago and echoed that in traveling the region sometimes their efforts haven't been as good.

I really do want to compliment you on that particular program. The feedback that I got from people that had seen the program, from friends that were in Iran and said I saw Congressman Boozman during prime time or whatever was very, very positive.

I think the program itself, all of us have done a lot of call-in radio, call-in television. I think the format and the way that the program went was as good as any program I have ever participated in anywhere, and the calls and the information back and forth was excellent so I do want to compliment you on that particular program.

Thank you.

Chairman LANTOS. Thank you.

The gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. Ambassador, welcome.

Iran of course is the big elephant in the room. No question about that. I guess my major concern is now that we are talking with Iran I think that we need to put a little emphasis on these other nations. Particularly I am concerned about Russia.

How is it, and I would be interested in knowing your response, that Russia recently completed an agreement to sell \$750 million

worth of antiaircraft weapons to Iran? The Dutch Royal Petroleum Company has just signed on to explore and lend millions of dollars of help to developing oil fields and helping with the refining capacity of Iran.

These are very troublesome indicators, particularly it seems to me the biggest economic sanction we could have with Iran and that they produce about one-quarter of the earth's known oil reserves underneath them, but yet they don't have that refining capacity and have to import that gas in.

If we have individuals who are supposedly our allies working with them and then China of course getting into an agreement—

Chairman LANTOS. The gentleman's time has expired.

Mr. SCOTT. Thank you, Mr. Chairman.

I would be looking for your comments on that as well.

Chairman LANTOS. The gentleman from Texas, Mr. Poe.

Mr. POE. Thank you, Mr. Chairman.

Iran is saber rattling again on several fronts in the world community. It is training the insurgents at sites outside Iraq to be used against American soldiers in Iraq. Iran hasn't found a terrorist group in the world that it doesn't like to embrace.

One solution being proposed to Iran is sanctions. Sanctions sound good, but historically somebody cheats, either countries or companies, and it is all in the name of filthy lucre money, greed.

As a former judge in Texas, I know there had better be consequences for violating the rules or violating sanctions. No sanctions should be proclaimed without heavy or embarrassing or monetary consequences that make companies and countries toe the line or pay the piper.

I look forward to hearing why previous rules and sanctions have not been enforced by our Government. I look forward to your testimony, Mr. Burns.

Chairman LANTOS. Thank you. Thank you very much.

Mr. Carnahan of Missouri.

Mr. CARNAHAN. Thank you, Mr. Chairman and Ranking Member Ros-Lehtinen. Mr. Secretary, welcome.

Finding solutions to the crisis in Iran is going to require robust diplomatic relations that can be used to design and implement a sustainable strong regional solution.

I am worried that the go-it-alone foreign policy of this administration has tarnished our image around the world and in turn diminished our bargaining power at a time when we need it most.

As we have seen over the past several years in Iraq, as well as during the conflict in Lebanon this past summer, Iran is actively looking to expand its influence throughout the Middle East. I believe we must look at every possible diplomatic solution available in order to contain the spread of extremist elements within Iraq.

I am also very interested in hearing your thoughts about the United States attending the upcoming Iraqi conference with Iran and especially with regard to reaching out to moderate elements within Iran and how we can take advantage of that to our national interest.

Thank you for being with us.

Chairman LANTOS. Mr. Crowley.

Mr. CROWLEY. Mr. Chairman, first let me welcome myself back to the committee. It is great to be back.

Chairman LANTOS. We join you in that welcome, Mr. Crowley. I call for a vote.

Mr. CROWLEY. Seeing no hands in opposition, Ambassador, great to see you again, my friend. Thank you for appearing before the committee. I, too, look forward to hearing your testimony.

In light of the outreach that apparently is being made in terms of creating a dialogue with Iran, I hope that there is not a sacrifice that is made for helping on one hand and going light when it comes to the issue of uranium enrichment in Iran.

I know you have your work cut out ahead of you, but I look forward to working with you again very closely here on the committee and welcome you here today.

Thank you, Mr. Chairman.

Chairman LANTOS. Thank you, everybody.

Secretary Burns has held a wide range of most important and sensitive posts in the Department of State. He is one of our most distinguished diplomats of this and indeed of any generation.

For the past 2 years he has been our distinguished Under Secretary of State for Political Affairs, which is the highest ranking position for any individual in the professional Foreign Service. Prior to his current assignment he served our nation as Ambassador at NATO and in Greece.

This is the first time that he is testifying before our committee during the 110th session. I am delighted to welcome him.

You may proceed any way you choose, Mr. Secretary.

**STATEMENT OF THE HONORABLE R. NICHOLAS BURNS,
UNDER SECRETARY FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. BURNS. Mr. Chairman, thank you very much. Ms. Ros-Lehtinen, thank you very much, and distinguished members of the committee. I have learned a lot just in listening to the comments that the various members made, so thank you for them. I will try very hard to respond directly to each of the concerns that have been raised. There is a lot of overlap I think in these concerns.

I will spare you reading my entire testimony. I submitted it last evening. You have it before you, Mr. Chairman.

Chairman LANTOS. Without objection. It will be part of the record.

Mr. BURNS. Thank you.

I thought I would take the opportunity to just give you a summary of the major outlines of our policy toward Iran, how we are trying to use multiple points of pressure to drive Iran to a position where it wants to negotiate and not seek confrontation with the rest of the world, particularly over its nuclear weapons ambitions. I will try to do that as briefly as I can so that you will have a chance to ask the questions that you want to ask.

I would say, Mr. Chairman, that our country faces a series of four interconnected crises in the Middle East. We have the imperative of achieving a democratic and stable and peaceful Iraq. We have the imperative of strengthening the democratically elected

Government of Lebanon against those like Iran, Syria and Hezbollah who would seek to overturn that government.

We have the necessity of establishing the foundation of a final peace between the Israeli and Palestinian people, and we are working on that as Secretary Rice has told you. Finally, we need to block and counter Iran's nuclear ambitions and its regional ambitions, and many of you have spoken to those ambitions as they have expressed themselves.

This region of the Middle East is now without any question in my judgment the area of greatest importance to our country. It is where our critical national interests are engaged.

Beyond our responsibility to help stabilize Iraq, nothing is more vital to the future of our country and of our role and interest in the Middle East than addressing the challenges posed by the Government of Iran, whose public face of course is this vitriolic presence of President Mahmoud Ahmadinejad.

This has been a problem of long standing for our country. It goes back to President Carter's administration, and it involves every administration since. How to deal with Tehran's confrontational ideology, its blatant anti-Americanism. Never have our concerns regarding Iran's intentions been more serious nor the intricacies of Iranian politics more significant and the policy imperatives more urgent than they are today.

We believe the Iranian Government has embarked on a dangerous course. It has repeatedly defied its obligations to the United Nations and to the International Atomic Energy Agency. Its rhetoric has been appalling and has reached standards that we have not seen since the fascist powers of the 1930s and 1940s.

President Ahmadinejad has declared that Iran's nuclear program has no brakes, and the Iranian regime has brazenly disregarded what Mohamed ElBaradei, what first Secretary General Kofi Annan and now Secretary General Ban Ki-moon say are the responsibilities and obligations of a peaceful and constructive country.

They have refused specifically to suspend their enrichment and reprocessing activities at their plant at Natanz, which is the condition for sitting down to talk to them.

Now we are joined by the great majority of countries around the world in opposing this nuclear weapons ambition. I have been the liaison to the Chinese and Russian and European Governments for 2 years now, and I have never encountered a single individual in any of those countries who believes that Iran's intentions are peaceful in going ahead with its nuclear research. All of us assume that its intentions are to develop a nuclear weapons capability.

Iran in this fashion has ignored what has been I think the most significant offer made by any American administration in the past 27 years, and that is to sit down and negotiate on the nuclear issue.

When Secretary Rice announced last June, along with the Foreign Ministers of Russia, China, Britain, France and Germany, that together the six of us were willing to sit down with the Iranian Government, and she said she would sit down personally with them, we said that they had to do one thing—suspend their enrichment program—because we didn't want to be in a position where

we would negotiate, and Congressman Rohrabacher made this point, and at the same time allow them to continue down the path to achieve a nuclear weapons capability, to develop fissile material or to produce a nuclear warhead.

So this is a condition not imposed by the United States. It is a condition imposed by the United Nations Security Council. It was written into the resolution, the chapter 7 sanctions resolution that we passed just before Christmas.

In the last week I have had three conversations with the representatives of all those Governments—China, Russia and the three European Governments—and we have committed to each other that we will now pass a second chapter 7, article 41, Security Council resolution.

In fact, the formal deliberations for that resolution began last evening in the United Nations Security Council. They continue today, and our Ambassador, Alex Wolf, our acting Ambassador, is in charge of those negotiations for the United States.

I will tell you that I am very pleased by the constructive attitude of Russia and of China and of the European countries. We have not yet agreed on the specific nature of the sanctions for this second resolution, but we have agreed that we must answer this blatant disregard for its obligations that Iran has shown, and we hope that this resolution can be passed as quickly as possible.

What I think is very interesting is last week the Government of India and the Government of Brazil both announced implementing measures to put their own sanctions on Iran because they are members of the United Nations General Assembly and they have to because these sanctions are mandatory under chapter 7.

So Iran is in a position where it is one now of only 11 countries in the entire United Nations out of 192 that are under sanctions. It has been that spotlight, and here I would just have to disagree very respectfully with some of the comments made. It is those sanctions that have worried the Iranian Government.

When they were passed in December I did not anticipate that they would have the impact that they have had, but they have had an impact. This is not monolithic political culture in Iran. It is a highly divided and I would say fairly tumultuous political environment where just yesterday the former President, Ali Akbar Rafsanjani, excoriated President Ahmadinejad for his handling of Iran's economic policies, where just 3 weeks ago the newspaper devoted to the Supreme Leader, *Ali Khamenei*, criticized President Ahmadinejad for his handling of a nuclear issue because now when you have India and Brazil and Egypt also sanctioning Iran, as you do the United States and our Perm Five colleagues, Iran is cornered and isolated diplomatically.

So I would argue to you that this diplomatic process of trying to use the United Nations and trying to use a multilateral framework for negotiations is the right path for the United States.

Many of you talked about some of the other problems that Iran is projecting to the United States and the rest of the world. Iran is endeavoring to sow violence and instability in the Middle East. In fact, it is the central banker for Middle East terrorism. It is the funder for Hamas and Hezbollah. It was responsible for providing

the long-range rockets that rained down on the people of Northern Israel in Haifa and other cities last summer.

Iran is a country that does not stand for peace between the Palestinians and Israelis, and when the Hamas leader visited Tehran this morning it is true, and one member said this, that President Ahmadinejad apparently said, if we are to believe the press reports, that Hamas should continue its violent attacks on the Government of Israel.

It is the only country in the Middle East that has consistently not supported the Middle East peace negotiations, consistently supported instead the Middle East terrorist groups, so we are responding here to a broad set of challenges on the nuclear front, the terrorism front and on Iran's very obvious campaign to become the dominant country in the Middle East as we see it flex its muscles on the international stage.

These are great challenges for our country, Mr. Chairman, but we believe, and I certainly believe personally, that a concerted diplomatic approach is the best strategy for our country in dealing with these interconnected problems.

You will remember just a few months ago just after the congressional elections in our own country Iran appeared to be riding high. It had had this self-proclaimed success in unleashing Hezbollah on the people of Israel this past summer, which we opposed. It appeared to be unimpeded in its nuclear weapons ambitions.

It appeared not to be paying any price for absorbing any cost for this behavior, but in the closing months of 2006 and certainly in the last 2 months the United States has taken a series of significant steps to contain Iran's regional ambitions and to press it in a very tough way on the nuclear issue.

We have coordinated a series of diplomatic steps with our friends around the world in order to try to knock Iran off its stride. We believe this strategy is beginning to succeed. It hasn't fully succeeded. It needs to play out over a certain period of time. We ought to have the patience to see diplomacy play out because we do have time to allow that to happen.

Let us just review where we are. We are pushing on Iran in the United Nations Security Council, as I have said, and we will continue to do that. Many of you talked about the financial measures that have been successful and—Congressman Tancredo and others talked about this—that need to be successful against Iran.

The Department of Treasury has used its Patriot Act 311 authority now to sanction two Iranian banks, Bank Saderat and Bank Sepah, and Secretary Paulson and Deputy Secretary Kimmitt have used the moral authority of the United States to try to send out a message to the international banking community that it shouldn't be business as usual with the Iranian private sector, that there are risks associated with that.

Three major European banks in the past year have cut off all lending to Iran as a consequence, and I think the Iranians are worried about this policy of the United States Government to press forward on the financial end, not just on the nuclear and terrorist side.

It is also true that in Iraq, Iran continues to provide lethal support to select groups of Shiite militants who target and kill Amer-

ican and British troops, as well as innocent Iraqis. We have made clear to the government in Tehran that this is absolutely unacceptable.

President Bush announced in January that our troops on the ground in Iraq will now act to disrupt those Iranian paramilitary networks in Iraq itself because they are providing these deadly weapons to these Iraqi groups. Our actions are consistent with a mandate that we have from the United Nations to be present in Iraq and from the commitment that we have to the Iraqi Government that we will take all necessary measures to contribute to the maintenance of Iraq's peace and Iraq's security.

We believe that we have an absolute obligation to the young men and women of our armed forces to protect them against a government that would spirit weapons into the country, these explosive devices, these very sophisticated explosive devices that are used, armor piercing, to attack our soldiers.

We are also working with France and with Saudi Arabia and with Jordan and Egypt to try to support Prime Minister Siniora in Lebanon. It is unacceptable that a government like Iran would seek to overthrow, using as a proxy Hezbollah, a democratically elected government in the Middle East.

And so, Mr. Chairman, we are trying to proceed with multiple points of pressure against the Iranian Government, and the object is to drive up the cost of its behavior, to isolate it and to hopefully contribute to a debate within the Iranian system that they are far better off seeking a peaceful diplomatic approach with the United States, to Europe, to the Arab countries, than they are with their current confrontational approach.

We are acting very vigorously to isolate the Iranian Government in this regard. I would also say that we have agreed that we need to seek opportunities when they arise to use our influence in the Middle East to create an environment that will be more conducive to peace and stability.

And so that is why the President and Secretary Rice have asked Ambassador Khalilzad to participate in this meeting this Friday hosted by the Maliki government with the United States, with countries from Europe, with Iran and Syria, to try to bring peace to Iraq, to try to send a message that every one of those countries, particularly Iran and Syria, have a self-interest and obligation to use their influence for peace, for an end to the fighting among the ethnic groups there and to secure stability at long last in Iraq itself.

That is a point of contact that makes sense for our country, and of course Secretary Rice has said that she will personally be present at the negotiations if they materialize on the nuclear issue in the future.

Mr. Chairman, I just conclude by saying that it is my judgment that diplomacy is the best course of action in blocking and containing the Iranian regime. I do not believe that a military confrontation with Iran is either inevitable or desirable.

If we continue a skillful, patient, energetic, diplomatic course and we have the patience to play it out over the mid to long term I am confident we can avoid a conflict, and we can see this larger American strategy in the Middle East vis-à-vis Iran succeed.

Our strong hope is that Iran will now turn away from its confrontationist policies and will seek to negotiate with us and the other countries to give up its nuclear weapons ambitions and to use its influence in the Middle East for peace and stability in Iraq, in Lebanon, in the Palestinian territories and in Israel itself.

I wanted to say those few words, Mr. Chairman. You have my full testimony. I will not cover more of it, but I look forward to responding to the questions and comments of you and your members. [The prepared statement of Mr. Burns follows:]

PREPARED STATEMENT OF THE HONORABLE R. NICHOLAS BURNS, UNDER SECRETARY
FOR POLITICAL AFFAIRS, U.S. DEPARTMENT OF STATE

“UNITED STATES POLICY TOWARDS IRAN”

INTRODUCTION

Thank you, Chairman Lantos, Ranking Member Ros-Lehtinen, and distinguished Members of the Committee for this opportunity to discuss our strategy to address the profound challenges Iran poses to our national security interests.

We face a complex, interconnected set of four crises in the Middle East: the need to achieve a stable and democratic Iraq, to strengthen the democratically elected government of Lebanon, to block Iran’s nuclear and regional ambitions, and to establish the foundation for a final peace between the Israeli and the Palestinian people. This region is now the area of greatest importance for the U.S. worldwide, and critical interests are engaged in all of these areas. But beyond our responsibility to help stabilize Iraq, nothing is more vital to the future of America’s role in the Middle East than addressing the challenges posed by the radical regime in Iran, whose public face is the vitriolic President Mahmoud Ahmadi-Nejad.

For nearly three decades, dealing with Tehran’s confrontational ideology and blatant anti-Americanism has been a persistent dilemma for every administration since that of President Carter. But never have our concerns regarding Iran’s intentions been more serious, nor the intricacies of Iranian politics more significant and the policy imperatives more urgent than they are today. Tehran has embarked on a dangerous course, repeatedly defying its obligations under international law—to say nothing of the normative standards of international behavior—and appalling the world with its vitriol and the most abhorrent, irresponsible rhetoric of any global leader in many years.

Ahmadi-Nejad has declared that Iran’s nuclear program has “no brakes,” and the Iranian regime has brazenly disregarded demands from both the International Atomic Energy Agency and the United Nations Security Council for a suspension of its enrichment and related reprocessing activities. We are joined by the great majority of countries around the world who are concerned that Iran’s nuclear program is designed to produce a nuclear weapon. In proceeding with its efforts, the Iranian regime has also ignored the generous and historic incentives package offered by the P5 countries and Germany, as well as the United States’ offer to begin serious negotiations with Tehran if it verifiably suspends enrichment at its Natanz facility.

During the past week, I have had three discussions with my P5+1 counterparts from Russia, China, the United Kingdom, France, and Germany about a second and strengthened Chapter VII Security Council Resolution. In fact, formal deliberations are now beginning at the Security Council. We are pleased by the serious and very constructive talks we have had with our P5+1 partners. Iran must know that we are united in our aim to deny it a nuclear weapon. We have all agreed to try to pass such a resolution as quickly as possible to warn the Iranian regime that it is isolated internationally and needs to negotiate with us. Global leaders as diverse as India, Egypt, and Brazil have supported this effort at the IAEA. The Iranian government finds itself in profound isolation on the nuclear issue.

Beyond its drive for nuclear weapons, Iran has endeavored to sow violence and instability throughout the region, particularly in the vulnerable democracies of Lebanon and Iraq. And as Tehran has escalated its long-standing and violent rejection of a Middle East peace settlement between the Israeli and the Palestinian people, its human rights record at home has once again taken a dismal turn.

We are responding to these challenges with a comprehensive strategy that relies on American diplomatic leadership and a strong multilateral coalition. First and foremost, we made clear to the Iranian regime that the provocative and destabilizing policies pursued by Ahmadi-Nejad will entail painful costs for Iran, includ-

ing financial hardship, diplomatic isolation, and long-term detriment to Iran's prestige and fundamental national interests. Secondly, and equally important, we have worked to alter the regime's behavior and convince it that a cooperative, more appealing course is available to it.

Though the challenge is great and the road may be long, I believe that this concerted diplomatic strategy is the best way forward for our country.

Just a few months ago, Iran appeared to be riding high. It was proceeding unimpeded in its obvious campaign to develop a nuclear weapons capability. It had funded Hizballah's irresponsible provocations that led to war against Israel last summer. In the closing months of 2006, the United States took significant steps to contain Iran's regional aims and to press forward to isolate Tehran on the nuclear issue. We have coordinated a series of diplomatic initiatives with friends from across the world to knock Iran off its stride. This strategy appears to have sparked a divisive debate in Iranian ruling circles about whether to continue a confrontational course or agree to negotiations. Let me describe how we have applied this pressure to isolate and contain Iran's ambitions.

We have worked at the United Nations to shine a bright spotlight on Iran's nuclear program. In December, the United Nations Security Council unanimously adopted Resolution 1737, imposing Chapter VII sanctions targeting Iran's nuclear and ballistic missile programs. The resolution was a significant milestone following two years of patient diplomacy among the United States, our European partners, Russia, and China, and represented a turning point in international willingness to pressure the Iranian regime to comply with its obligations.

Outside of the Security Council, we have worked cooperatively with major governments to curtail business transactions with Iranian companies and individuals tied to Iran's nuclear activities and support for terrorism. The Department of Treasury has used its authority under the International Emergency Economic Powers Act (IEEPA) to sanction Iranian Bank Sepah for providing support and services to entities involved in Iran's missile programs. Additionally, the Department of the Treasury cut Iranian state-owned Bank Saderat off from all access to the U.S. financial system because of its support for terrorism. Banks worldwide have begun to recognize the serious risk associated with Iranian business with some beginning to scale back their Iran portfolios.

We have also acted to blunt Iran's regional ambitions. In Iraq, Iran continues to provide lethal support to select groups of Shia militants who target and kill U.S. and British troops, as well as innocent Iraqis. We have made clear to Tehran that this is unacceptable. As President Bush announced in January, our troops on the ground in Iraq will act to disrupt networks in Iraq—regardless of nationality—which provide deadly weapons to Iraqi groups. These actions are consistent with the mandate granted to the Multi-National Forces in Iraq by both the United Nations Security Council and the Iraqi Government to take all necessary measures to contribute to the maintenance of Iraq's security and stability. We have an absolute and indisputable obligation to defend our soldiers from such attacks.

We are also working with France, Saudi Arabia, Egypt, Jordan, and others to signal our strong support for Prime Minister Siniiora's democratically elected government in Lebanon, to enforce the arms embargo imposed by Security Council Resolution 1701, and to prevent Iran and Syria from rearming Hizballah. We have stationed two carrier battle groups in the Gulf to reassure our friends in the Arab world that it remains an area of vital importance to us. And at the regional level, Secretary Rice last autumn launched a series of ongoing discussions with our GCC partners, as well as Egypt and Jordan, regarding issues of shared concern, including the threat posed by Iran.

Combined with our long-term efforts to promote peace and stability and reassure allies, including Israel, these steps mark the natural evolution of our efforts to demonstrate international resolve against Iran's disregard for international law and its aspirations to dominate the region. And they have all had an impact. Iran is now off-balanced, more isolated, and under more intense international scrutiny.

This U.S. policy of applying multiple points of pressure against the Iranian regime is the right course for us to follow. Despite the fulminations of President Ahmadi-Nejad, Iran is not impervious to financial and diplomatic pressure. It is clear to us that concerted international pressure can help to undercut the Iranian regime's sense of ascendancy, and unnerve its overly confident leadership while clarifying to it the costs of its irresponsible behavior.

While we are acting vigorously to isolate the Iranian government, we are also offering to it a diplomatic way forward. For this reason, Secretary Rice has agreed to join her P5+1 colleagues in direct discussions with Iran regarding the nuclear and other issues "at any place and at any time," provided Iran verifiably suspends its enrichment-related and reprocessing activities. This avenue represents the best op-

portunity for Iran and the United States to begin resolving our differences. To this end, we have also agreed to participate this week in the “Neighbors Conference” sponsored by the Iraqi Government, where we will sit with Iran, Syria, and other countries and support strategies to end bloodshed in Iraq and divisive internal struggles. We hope all governments will seize this opportunity to improve relations with Iraq and to work for peace and stability in the region. And we hope, as well, that Iran will commit itself to a more constructive and positive role in Iraq as a result of those discussions.

Diplomacy is our best course of action in blocking and containing the Iranian regime. I do not believe a military confrontation with Iran is either desirable or inevitable. If we continue our skillful diplomatic course and have the patience to see it play out over the mid to long-term, I am confident we can avoid conflict and see our strategy succeed. Our strong hope is that Iran will accept the offer to negotiate with the U.S. and our P-5 partners so that we can achieve a peaceful end to Tehran’s nuclear weapons ambitions.

Any effective diplomatic strategy must provide one’s adversary with exit doors when, as Iran has certainly done, it paints itself into a diplomatic corner. While we are acting vigorously to contain Iran in the Middle East, we are also offering it a chance to negotiate with us. When the UN Security Council soon adopts a second sanctions resolution, the United States and our partners will also reaffirm our wish to negotiate. We hope the Iranian regime will reflect on its isolation and decide to meet us at the negotiating table.

Part of charting a new course for U.S.-Iranian relations is intensifying our engagement with the Iranian people. While it is now not feasible for us to have formal diplomatic relations with Iran, it is within our grasp to bridge the divide between our peoples. So in addition to our diplomatic efforts to persuade Tehran to alter its foreign policy, we have launched a program to increase contacts between the American and Iranian peoples. We sent the U.S. National Wrestling Team to compete in Iran in January; we are also bringing hundreds of Iranians on exchange programs to the United States. These efforts have been helped tremendously by Congressional support for the Administration’s 2006 supplemental funding request. In the long-term, assuaging the separation between our peoples is critical to overcoming the nearly 30-years estrangement that currently divides the U.S. from Iran.

Our diplomatic success vis-à-vis Tehran, and the endurance and vitality of our international coalition, are no small achievements. They reflect the leadership of President Bush and the sustained efforts of Secretary Rice, the State Department, and contributions from other government agencies. As the President and Secretary Rice have reiterated—and I cannot emphasize this enough—we seek a diplomatic solution to the challenges posed by Iran.

Today, I would like to provide some details on the steps we are pursuing at the United Nations and bilaterally to increase pressure on Iran to abandon its quest for a nuclear weapons capability. I will also touch briefly on our continued efforts to discourage the Iranian regime’s support for terrorism and extremism, while expanding engagement with the Iranian people.

IRANIAN NUCLEAR PROLIFERATION

The greatest immediate threat posed by the Iranian regime is its pursuit of a nuclear weapons capability. For more than 18 years, Iranian leaders pursued a clandestine enrichment program and other undeclared nuclear activities in violation of their international obligations. It is this continued abuse of the world’s trust that is at the heart of the international community’s impasse with Iran.

The United States and the entire permanent membership of the UN Security Council recognize Iran’s right to peaceful, civil nuclear energy under relevant articles of the Nuclear Non-Proliferation Treaty (NPT). However, that right comes with responsibilities, paramount among them a legal obligation to forgo the pursuit of nuclear weapons and to subject all nuclear activities to International Atomic Energy Agency (IAEA) monitoring. As IAEA Director General ElBaradei’s most recent report to the Security Council makes clear, the Iranian regime remains in noncompliance with its international obligations and has been anything but transparent. Despite multiple requests over more than three years, the regime has yet to clarify several outstanding issues with the IAEA. As a result, the IAEA Director General says he is unable to verify that Iran’s program is solely peaceful.

A review of Dr. ElBaradei’s report is instructive and alarming. Iran has repeatedly failed not only to meet the IAEA’s requirements; it has also failed to even have the courtesy of responding to many of the IAEA’s direct questions on behalf of a concerned international community.

The regime has refused to enable the IAEA to clarify the past history of its P1/P2 centrifuge work, plutonium separation experiments, and uranium contamination. It has refused to agree to IAEA requests for access to Iranian officials and documentation, including a 15-page document that describes the procedures for casting and machining uranium into hemispheres, for which the only plausible purpose is weapons. And it has refused to accept and implement the safeguards measures that the IAEA believes are necessary to ensure non-diversion of enriched uranium at the Natanz enrichment plant.

The Iranian regime has, of course, had sufficient time to clarify questions regarding its nuclear activities. Since 2003, the IAEA Board of Governors has called on Iran to meet its obligations under the Nuclear Nonproliferation Treaty. On March 29, 2006, the UN Security Council adopted unanimously a Presidential Statement calling on Iran to fully suspend all enrichment-related and reprocessing activities and to cooperate with the IAEA's ongoing inspections. Iran ignored these requests, as well as UNSC Resolution 1696, passed in July 2006, which made clear that if Iran did not comply by August 31, 2006, the Security Council would adopt appropriate measures under Article 41 of Chapter VII of the UN Charter, which provides for sanctions.

Faced with the Iranian regime's blatant disregard for its international nuclear obligations, the UN Security Council had no choice but to unanimously adopt Resolution 1737, in December 2006, imposing sanctions under Chapter VII. Specifically, Resolution 1737 required Iran to immediately suspend its uranium enrichment, reprocessing, and heavy water-related activities and to cooperate fully with the IAEA. It also inter alia imposed prohibitions on states' ability to transfer proliferation-sensitive technology to Iran, sharply limited technical or financial assistance to the Iranian nuclear and ballistic missile programs, and required states to freeze the assets of key individuals and entities associated with both programs.

FINANCIAL PRESSURES

Beyond imposing an asset freeze on various Iranian entities and individuals associated with Tehran's nuclear and ballistic missile program, Resolution 1737 also provides leverage to increase bilateral economic pressure outside of the United Nations. To this end, the Departments of State and the Treasury have engaged with foreign governments and private firms, reminding them of the financial and reputational risks of doing business with Iran.

Iran is one of the largest beneficiaries of official export credits and guarantees, with \$22.3 billion in exposure reported by OECD countries as of the end of 2005. Noting that a number of major international banks have now reduced their business with Iran, we are also encouraging governments in Europe and Asia to reduce the official export credits they provide to Iran. Governments should not take on the financial risk that private companies are facing in that country. Many countries share our concerns and are starting to decrease their official lending. Some countries have capped their exposure at current levels, while others have begun scrutinizing Iranian credit applications to ensure they comply with the strict, non-proliferation guidelines contained in Resolution 1737. France, Germany, and Japan have reduced export credits limits for Iran, while others have committed privately to doing the same, and especially, reducing the medium and long-term credits that Iran uses for capital goods and project finance.

We worked last year with Congress on the reauthorization and amendment of the Iran and Libya Sanctions Act (ILSA) which, thanks to the success of our diplomatic and economic efforts with respect to Libya, is now simply the Iran Sanctions Act (ISA). ISA has been valuable in emphasizing to foreign governments and firms our concerns about Iran and highlighting the risks and potential consequences of investing there. Indeed, we attribute the continued lack of investment in Iran's oil and gas sectors, in part, to ISA.

In recent weeks, we have engaged relevant companies and countries about their potential investment in Iran's oil and gas sector. In making clear our opposition to such deals, we have emphasized how they would undermine international efforts to resolve the nuclear issue, as well as the potential legal implications of future investment under our law. Most of these deals remain in the negotiation stage. Our discussions are intended to diminish the likelihood of seeing them finalized. More broadly, Iran continues to encounter great difficulties in attracting foreign investment to its hydrocarbon sector and few foreign companies have committed to developing Iranian oil and gas fields. Iran's own behavior and policies have contributed to this situation, but ILSA/ISA has contributed to Iran's poor investment prospects.

We are also utilizing other domestic authorities to limit Iran's nuclear progress. Under Executive Order 13382, the United States designated 14 individuals and en-

ties associated with Iran's weapons of mass destruction and missile programs. Designated entities are denied access to the U.S. financial system and their assets in U.S. banks are frozen. Citing ties to WMD proliferation activities, the Treasury Department used domestic authorities to terminate Iran-based Bank Sepah and Bank Sepah International's access to the U.S. financial system. We are encouraging foreign governments to scrutinize activities of Banks Saderat and Sepah, as well as other Iranian financial institutions in their jurisdictions, and, whenever appropriate, revoke their operating licenses.

These targeted financial pressures have denied suspect Iranian individuals and entities access to the funds needed to sustain Iran's nuclear program, and made clear to Iran that activities in defiance of international law will result in real economic consequences. Treasury Under Secretary Stuart Levey and I will continue to engage with our foreign partners regarding such economic pressures, as they are one of our most effective tools for making clear to the Iranian regime the cost of its continued defiance.

NEXT STEPS AT THE UNSC

We also anticipate additional action from the Security Council, which expressed its intent in Resolution 1737 to adopt additional sanctions under Article 41 of Chapter VII of the UN Charter if the IAEA found Iran to be in noncompliance.

Last week, I met in London with my counterparts from China, France, Germany, Russia and the United Kingdom to discuss next-steps at the Security Council. Our discussions followed Secretary Rice's meeting on February 22 with EU Foreign Policy Chief Javier Solana, Russian Foreign Minister Lavrov, and German Foreign Minister Steinmeier in Berlin. We have had a series of productive discussions in the past week regarding a second sanctions resolution to be adopted by the Security Council. Additionally, we have reiterated our common determination to resolve the nuclear issue diplomatically and considered how to best re-engage Iran. I am encouraged by the seriousness of these ongoing discussions and I am confident that members of the Security Council will continue to make clear to the Iranian regime the consequences of its actions.

Iran's continued refusal to suspend enrichment—despite the generous incentives package and offer of direct talks with the United States—is a missed opportunity. As Secretary Rice has reiterated many times, and I will reiterate here, that offer remains on the table. The Secretary will meet with her Iranian counterpart anytime, anywhere. All the Iranian Government must do is completely and verifiably suspend its enrichment and related reprocessing activities as the UN Security Council has mandated.

CURBING IRAN'S DESTABILIZING ACTIONS ABROAD

Looking beyond its nuclear aspirations, the Iranian regime's aggressive foreign policy and hegemonic aspirations constitute an increasing threat to regional security and U.S. interests.

I noted in my opening remarks our serious concerns regarding Iran's lethal support to Iraqi militants, and the steps we are taking to counter these destructive activities in Iraq. But Iranian interference is also evident in Lebanon, where its efforts to rearm and financially bolster Hizballah threaten to set back the democratic progress of the past two years. President Ahmadi-Nejad's repeated threats to "wipe Israel off of the map," and the regime's internationally condemned Holocaust denial conference in December, highlight regime hostility toward a major U.S. partner—as does continued Iranian financial and military support to Palestinian terrorist groups such as Hamas and Palestinian Islamic Jihad.

As Secretary Rice noted during her recent testimony, we are intensifying our efforts to lay the foundation for a Palestinian state that can exist peacefully alongside Israel. We have also enhanced our support to Lebanon's democratically elected government, and will sustain our efforts to enforce all applicable UN Security Council resolutions pertaining to the rearmament of Hizballah.

More broadly, we are enhancing our security cooperation with longstanding partners throughout the region. The deployment of a second aircraft carrier battle group to the Gulf reinforces these efforts, reassures our allies, and underscores to Tehran our commitment to protect our vital interests.

BLOCKING IRAN'S SUPPORT FOR TERRORISM

No discussion of Iran would be complete without mentioning the regime's record of supporting terrorism.

Tehran has long been the world's leading state sponsor of terrorism; the regime sponsored and was responsible for the deaths of scores of Americans in the 1980s

and 1990s. Through its efforts to rearm Hizballah, the Iranian regime has violated its obligations under UNSCR 1701. And it has violated UNSCR 1267 and successor resolutions by failing to impose sanctions on al-Qaida and continues to refuse to bring to justice or confirm the whereabouts of senior al-Qaida members it detained in 2003.

Recognizing Iran's role as the central banker of global terrorism, the Departments of State and the Treasury have enlisted foreign support in efforts to deny suspect Iranian individuals and entities access to the international financial system. The termination of Iranian Bank Saderat's "U-turn" authorization effectively prohibits one of Iran's largest banks from conducting business in U.S. dollars.

Utilizing E.O. 13224, Treasury has also designated two entities that have functioned as Hizballah's unofficial treasury by holding and investing the group's assets and serving as intermediaries between the terrorist organization and international banks. Additionally, we have disrupted Hizballah's financial support network by designating and blocking the assets of individuals and two entities affiliated with Hizballah in the Tri-Border region of South America.

EMPOWERING IRANIAN CIVIL SOCIETY AND ENGAGING THE IRANIAN PEOPLE

Before I conclude, I would like to discuss briefly the Iranian regime's repressive treatment of its own people. The regime recently celebrated the achievements of the 1979 Revolution. But the regime's conduct is not equal to the aspirations of the Iranian people.

The regime's record of human rights abuse remains among the worst in the world. As the annual Human Rights Report outlines we are releasing today emphasizes, the record has worsened over the past year. The regime regularly abuses its own people, restricting basic freedoms of expression and assembly to discourage political opposition. The regime has purged liberal university professors; threatened, jailed and tortured journalists; and harassed student organizations and other groups and just this week violently disrupted a women's rally in Tehran only days before the International Women's Day. The regime denies its people freedom of expression by cracking down on bloggers, closing independent newspapers, censoring internet use and blocking satellite dish ownership—all in an effort to control their access to information. These actions make one ask—What does the regime have to hide? And why is it afraid of its own people?

For years, the regime has prevented transparent judicial proceedings and persecuted women and minority ethnic and religious groups. The regime's decision to disqualify hundreds of candidates from participating in the December 15, 2006 elections prevented the Iranian people from choosing government officials representing a range of viewpoints.

The Iranian people deserve better from their leaders. They are a proud, well-educated people with a rich history. To counter such abuses, we are promoting greater freedom in Iran by funding a variety of civil society programs.

Our efforts to foster Iran's civil society have expanded. The Congress apportioned \$66.1 million in the FY 06 Supplemental to support our efforts in Iran. \$20 million of these funds are going to support civil society, human rights, democratic reform and related outreach, while \$5 million was given to the Bureau of International Information Programs (IIP) for increased Persian language electronic and speaker programming about American society, institutions, policy and values. An additional \$5 million was allocated to the Bureau of Education and Cultural Affairs (ECA) for new cultural and educational exchange programs to increase mutual understanding between our two peoples. The Congress allocated the remaining \$36.1 million of FY 2006 supplemental Iran funds directly to the Broadcasting Board of Governors (BBG) for media programming into Iran, including our VOA Farsi television service and Radio Farda.

These funds have allowed us to initiate a wide range of democracy, educational, and cultural programs, as well as significantly expanded efforts to improve the free flow of information to the Iranian people. We also allocated over \$11 million of the FY 2006 base budget to support Iranian democracy programs, with other funds allocated to BBG, public diplomacy, and exchange programs. This builds on programming that we already had underway in FY 2004 and FY 2005.

The Congress allocated the remaining \$36.1 million of FY 2006 supplemental Iran funds directly to the Broadcasting Board of Governors (BBG), for media programming into Iran, including our VOA Farsi television service and Radio Farda.

Our programs are open to all who are committed to peaceful, democratic progress in Iran. Their goal is to support different parts of Iranian society by promoting basic human rights and religious freedoms; building civil society; improving justice, ac-

countability and the rule of law; providing access to unbiased information; and promoting a deeper understanding of our culture, values and ideas.

Given Iran's restricted political climate, progress towards our goals has been predictably difficult. We have accordingly employed all possible safeguards to enable our partners on the ground to pursue their work. Projects are moving forward, and many brave men and women are helping promote basic civil rights and the necessity of political dialogue. In the long-term, we hope that a more open environment that encourages, rather than represses, dialogue, will stimulate a change in the behavior of the Iranian Government.

State Department officials are also reaching out to the Iranian people to convey our policies. Secretary Rice and I have given interviews on Persian language media highlighting the Iranian people's aspirations for increased respect for human rights and civil liberties, as well as a more democratic, open government.

With the recently appropriated funds, the United States has resumed official educational and cultural exchange programs between the United States and Iran, which the U.S. Government suspended at the time of the Iranian Revolution in 1979. In late 2006, a group of medical professionals were the first Iranians to visit the United States as part of this reinvigorated effort. Their non-political visit brought them in contact with medical professionals from the Centers for Disease Control, Harvard Medical School, and other major medical institutions. Several professional, athletic, and cultural exchanges are planned for 2007, with the goal of building greater understanding between the people of the United States and of Iran. In January, the USA Wrestling Team traveled to Bandar Abbas, Iran, at our request, where it was greeted warmly by the Iranian people and loudly cheered during the competition. We have extended an invitation to the Iranian National Wrestling Team to travel to the United States, and are confident the American people will extend an equally warm welcome. It is our hope that increased exchanges will provide the Iranian people with a clearer and more accurate understanding of American society, culture and democratic values.

For FY 2008, the President has requested over \$100 million in Iran funding, including roughly \$20 million for VOA's Persian service and \$8.1 million for Radio Farda, as well as \$5.5 for consular affairs, and \$75 million in economic support funds to civil society and human rights projects in Iran. We appreciate the Committee's continued support of efforts in these areas which are a vital component of our comprehensive Iran strategy.

The United States stands with the Iranian people in their struggle to advance democracy, freedom, and the basic civil rights of all citizens. We believe the Iranian people have made clear their desire to live in a modern, tolerant society that is at peace with its neighbors and is a responsible member of the international community. We are confident that if given the opportunity to choose their leaders freely and fairly, the Iranian people would elect a government that invests in developments at home rather than supporting extremism abroad; a government that would choose dialogue and responsible international behavior rather than seeking to produce nuclear weapons; a government that would nurture a political system that respects all faiths, empowers all citizens, and returns Iran to its historic place in the community of nations.

CONCLUSION

The United States is committed to pursuing a diplomatic solution to the challenges posed by Iran. This will require patience and persistence.

We are making every effort to improve U.S.-Iranian relations. But that cannot happen without a change in the Iranian regime's policies. Secretary Rice offered the Iranian Government an extraordinary opportunity, in June 2006, when she pledged to engage in direct talks alongside Russian, China, and our European partners if Iran verifiably suspends enrichment and cooperates with the IAEA. This offer remains on the table, and we will continue to make clear to the Iranian regime that the best way to ensure its security is by complying with, not ignoring its international nuclear obligations.

Chairman LANTOS. Thank you very much, Mr. Secretary.

I listened very carefully to your summary, and as I understand it you favor a concerted diplomatic approach. I take it by concerted diplomatic approach you mean we and our allies. I wonder whether you also mean various branches of our own Government and particularly various branches of the administration.

I am profoundly disturbed by the actions of our Trade Negotiator, and I would like to tell you why. On January 31, I wrote a letter to our Trade Negotiator, and I would like to highlight the key paragraph from it. This is to Ambassador Schwab.

"I am writing to you to highlight an issue that has come to my attention regarding Iran and Malaysia and to request formal action on your part. According to recent press reports, Iran has signed a \$16 billion liquified natural gas deal with Malaysia's SKS to help develop gas fields in southern Iran and to establish LNG production plants. This is a disturbing development that I believe requires swift action by the administration.

"As part of legislation which I co-sponsored, Congress recently extended and strengthened the Iran Sanctions Act, requiring sanctions against companies involved in Iranian energy development as is potentially the case here. In addition to enforcing this legislation, it behooves us all charged with implementing U.S. foreign policy to take actions to further press Iran to cease its development of nuclear weapons."

So far I don't think there is anything controversial from the administration's point of view of what I am writing to the Trade Negotiator. Then I go on to say:

"I understand that your office is currently engaged in discussions with the Government of Malaysia to negotiate a Free Trade Agreement. Since a fundamental purpose of any Free Trade Agreement is to strengthen cooperation consistent with broader U.S. strategic goals, I believe we have a right to expect the Government of Malaysia to join us in condemning this deal and to make certain that it is nullified before we proceed with further negotiations.

"Malaysia stands to benefit greatly from a Free Trade Agreement with the United States, and it is important that our trade partners are not engaged actively or passively in undermining our most basic security policies."

Our Trade Negotiator cavalierly and arrogantly advised her Malaysian counterparts that this is just a voice from Congress and proceeds without any explanation or letter, continuing these negotiations.

Now, the Trade Negotiator may disagree with me, but I wonder what is her right to disagree with the fundamental policy enunciated by this Government at the highest level that we wish to deal with Iran through economic pressure?

This is economic pressure, and the Trade Negotiator is undermining this economic pressure. I would be grateful if you could comment.

Mr. BURNS. Mr. Chairman, thank you for your question. I would have to say with all respect that I have great admiration for Ambassador Schwab and her leadership of USTR.

While I am not familiar with the details of this particular case and have just now heard about the letter you have sent to her, I am sure that everything that USTR is doing is consistent with our policy of applying financial pressure on the Iranian Government.

Chairman LANTOS. Well, how can that be true, Mr. Secretary, if trade negotiations leading to a Free Trade Agreement benefit Malaysia while Malaysia is signing a major agreement helping to develop Iranian energy to the tune of some \$16 billion of investment?

Mr. BURNS. Mr. Chairman, I will be happy to go back and look at exactly where we think the Malaysia deal is, but our impression is that on the Malaysia deal, the proposed major Chinese investment, the proposed Royal Dutch Shell investment that some of the members talked about, these are all preliminary in nature.

What we have done is in each of these cases go to the companies, but also the governments of the companies, and say that we are opposed to these long-term oil and gas deals with Iran.

We don't believe that countries should exercise a business as usual practice with Iran. We are vigorously opposed to them, and we will continue to use our diplomatic influence to convince them not to go forward.

I think you are right, Mr. Chairman, in your larger point, as I understand it, that now is not the time to reward the Iranian Government for this abhorrent international behavior. In fact, if we are to pass a second Security Council resolution as soon as possible, and I think we will, the message is expand the sanctions against Iran, make the pressure more meaningful, make it hurt so that the Iranians know that they are not going to get away with creating a nuclear weapons program and have the world just stand by and watch because that is not our attitude.

Chairman LANTOS. Well, I appreciate your comments, Mr. Secretary, and I am sure that Secretary Rice would agree with everything you have said, but the Trade Negotiator is undermining your basic policy, the basic policy of this administration, which is to place economic pressure on Iran. The Trade Negotiator is actively undermining this goal.

I am not asking you to comment on your colleague in the administration—she is coming in to see me in a few days—but I think it is very important. You made the observation a minute ago that in Tehran there is a divided government. Well, it seems there is a divided government in Washington as well, and the Department of State and the Trade Negotiator are opening at cross purposes.

I also would like to ask a question before I deal with this issue of concerted diplomatic approach which you favor and I favor—we all at this table favor. When Congress passes legislation with overwhelming bipartisan majority and the administration waives all the sanctions that we have passed, no oil company is handicapped by administration action despite their violation of congressionally passed laws.

We have no option but to take away the waiver authority of this administration, and that is precisely what the legislation I am introducing this week will do. We are spinning our wheels. We are passing legislation after legislation designed to promote the goals of the administration of putting economic pressure on Iran.

The administration claims not to want to use military means. We agree with that. If military means are not to be used then economic means are to be used, and the administration systematically undermines our desire to use economic sanctions.

There is a profound inconsistency between what the administration says and what the administration does, so I would be very grateful, Mr. Secretary, if you could tell us how you envision concerted diplomatic approaches while the diplomatic approaches we provide are rejected by the administration refusing to employ the mechanisms we have provided.

Mr. BURNS. Mr. Chairman, with your permission I would just like to say one more word if I could about your first question and say that I am convinced that we do have a united Executive Branch approach to Iran that of course includes the great work being done by Ambassador Schwab.

Here is the difficulty that we have faced, and I think the Clinton administration faced it as well pertaining to Iran. The irony here is at a time when the United States has had sanctions in place for the better part of three decades, all of our allies are trading with Iran. That is true of every member of the European Union. It is true of Japan, our best allies in the world.

What we have to do is convince them that they need to act in their national Parliaments to stop that business as usual approach. For instance, in the negotiations that are underway now in the United Nations, the United States and many other countries are going to press for a reduction in export credits. This is a government approach in Japan and the European Union to encourage trade with Iran.

In 2005, there were \$22 billion worth of export credits from the OECD countries to stimulate trade with Iran. We are beginning to see Japan, Germany, Italy reduce those export credits. That is a positive trend.

On your second question, and I know that Congresswoman Ros-Lehtinen is also concerned with this because I have talked with her about it in the past. I would just say this: We support the extension of the Iran Sanctions Act. We oppose energy investments by any country or company with the Government of Iran for obvious reasons and will continue to do that. We have a very active policy underway to talk to the CEOs of these companies, as well as the prime ministers of the countries.

We do believe, as Secretary Rice has said to this committee and others, that the Iran Sanctions Act is a deterrent. It was very interesting when Royal Dutch Shell announced the preliminary agreement and then came out 48 hours later with a public statement saying they had to reflect on that preliminary agreement because they had received so much of a kickback frankly from our Government, as well as Members of Congress and people around the world.

So we would hope that we would be able to encourage Japan and the European countries and the Russian Federation and China to reduce their economic activities with Iran. We also believe, and here is the point where we probably have a disagreement with some members of this committee, that if the focus of the United States' effort is to sanction our allies and not sanction Iran, that may not be the best way to maintain this very broad international coalition that we have built up since March 2005 when we first decided that we would support these nuclear negotiations with Iran itself.

I think, to defend our administration, one of the accomplishments of the last 2 years is that we have Russia and China and Europe united on a common approach to squeeze the Iranians, and if we start focusing our attention on them and not on the Iranians it might undercut that coalition.

That is what I said in testimony last year. That is what Secretary Rice has told you, and I would respectfully put that point forward again today.

Chairman LANTOS. Thank you, Mr. Secretary.

Mr. Smith.

Mr. SMITH OF NEW JERSEY. Thank you very much, Mr. Chairman.

Ambassador Burns, again thank you for your extraordinary leadership and for your testimony today. Let me just ask a couple of questions.

One of them, you urged patience vis-à-vis diplomacy, and I think members on both sides of the aisle certainly would echo the importance of patience particularly with a country like Iran.

Maybe you might want to speak to the issue, and you pointed out some of this in your testimony, of the indigenous dissent. There are large numbers of people, and it is even manifesting itself at the ballot box. Rafsanjani did extremely well. Not that he is the end all/be all of a moderate, but he certainly is somebody with whom I think we could deal much better with obviously than Ahmadinejad.

The idea of waiting out the local intolerant leader. You know, we certainly did it with the Soviet Union. We did it with the Warsaw Pact. We have done it before where there were nuclear missiles, in this case the potential of nuclear weapons aimed against us, and it seems to me the diplomatic route is always the best route and war is absolutely the last resort.

Secondly, the ranting and ravings of President Ahmadinejad with regards to threatening Israel and its demise certainly, it seems to me, rises to the level of a violation of the Genocide Convention.

My question there is since the IAEA and other elements of the United Nations Security Council, being the most important, are all focused on Iran, what have we done to try to get the genocide panel of experts, the implementing treating body people, to look at the statements that have been made by the President and to take action?

You know, the Genocide Convention talks about threat or the actual implementation in destroying of people in whole or in part. He is talking about the complete annihilation of the entirety of a people. It seems to me it is prima facie evidence of a violation of the Genocide Convention and ought to be engaged there.

I would say in like manner, the Human Rights Council needs to be engaged. I know we decided not to run. I think that is a mistake. Having said that, we certainly have friends who should be bringing the issue of Iran front and center at the Human Rights Council if that body is to have any legitimacy and credibility at all.

Finally with regards to the weapons that are being made in Iran and used against our soldiers and civilians in Baghdad and throughout Iraq, on one of my most recent visits in September I was struck by the statements that I heard that virtually all of the

IEDs that are doing terrible damage and death to our soldiers are being made in Iran.

It seems to me that when Maliki meets with Ahmadinejad, when there is any kind of contact with the Iranians, at the front of that discussion obviously nuclear weapons pose a potential threat. IEDs are a current threat that is literally killing and maiming many of our soldiers. That should be at the centerpiece of our negotiations as well.

Any comments you might have along those lines?

Mr. BURNS. Congressman Smith, thank you very much. Let me just try to respond to your questions very briefly.

You are right to focus on the internal situation. It is a very fractious country. The Baluch minority, the Kurdish minority, the Azari minority, as you know, have not always been happy to be living under this regime, nor should they be.

We have seen a great deal of restiveness among those groups over the last few months and particularly in Tehran itself where sometimes we have an image of a forbidding country like this of being monolithic. As I said in my remarks, it is anything but.

There is a great political debate underway as far as we can tell in Iran. We have seen it at the highest levels of the government. President Ahmadinejad has made a series of mistakes. He has literally painted Iran into a diplomatic corner with the outrageous comments, and you referred to them, about the State of Israel and about the Holocaust. He has embarrassed the country. There is no question that many Iranians feel that are expressing that in their own system.

I was remiss in not saying in my summary remarks that we are grateful to the Congress for the funds that you gave us last year to try to promote civil society and democracy inside Iran. We have tried to use those, and Congressman Boozman talked about it, to build up VOA's capacity to broadcast into Iran, as it now can, longer than 8 hours a day; Radio Farda, which is on most of the day in Persian into Iran.

We also have initiated exchange programs. If our Governments can't meet and have formal diplomatic relations, and we haven't had that with Iran since 1979—a long time—our peoples need to meet each other and so we asked the United States national wrestling team to travel to Iran in January. It did. It received a rapturous welcome from a crowd. Of course, it is the national sport of Iran.

We have invited now the Iranian national team to come to the United States. We will bring more Iranians—disaster relief experts, health professionals—to our country using funds provided by the Congress.

This is the right policy for us. If we can't and don't want to engage Ahmadinejad directly because of his reprehensible views and policies we can certainly engage the Iranian people, so we are asking in our fiscal year 2008 budget the Congress for \$108 million for the totality of these democratic outreach programs, and we hope that the Congress would see its way toward fully funding them.

Second, I would say, Congressman, on the Human Rights Council it is true that the administration has decided not to seek a seat on the Human Rights Council this year. I know it was Secretary Rice's

very strong view that that council discredited itself last summer. It spent the entire year slamming Israel, four separate hearings by the Human Rights Council of the U.N. against Israel, but not against Burma and not against Zimbabwe and not against North Korea and not against Iran.

You are right to call attention to the deplorable human rights practices inside Iran of the government. Today we released, because Congress of course under congressional mandate, our annual Human Rights Report. We have sent it to every member. There is a very stark set of accusations that we make against the Iranian Government, and I would be happy to talk about that if you would like.

Finally, Congressman, you refer to the Quds Force. We are certain that over the last 2 years the Quds Force has been active inside Iraq and providing these EFPs, explosively formed projectiles, to Shia militant groups. These are armor piercing, and we do believe they are responsible for the deaths of over 170 of the 3,100 Americans who have died in Iraq.

That is a very serious charge to make. We have made it because we are certain of the facts. We have sent messages as early as 18 months ago through the Swiss Government, our intermediary power in Tehran, to the Iranian Government asking them to cease and desist. The British Government has done the same. It is our obligation to help protect our soldiers and to take this issue on as squarely as President Bush has done so.

Finally, Congressman, you are right to focus on Ahmadinejad. Frankly, we haven't I don't believe as a government or with the Europeans and others looked at the Genocide Convention, but his comments are the most appalling comments that I can remember a world leader making about another state in many years, and I think they have received the just criticism of the international community, and I will continue.

Mr. SMITH OF NEW JERSEY. Will you initiate with the——

Chairman LANTOS. Thank you. The gentleman's time has expired.

Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman.

There have been numerous press reports based on claims from officials who were in the administration that the United States received an offer in mid 2003 from the highest levels of the Iranian Government to consider comprehensive policy changes on all major issues of concern to the United States, including the nuclear issue, support for terrorism and nonrecognition of Israel.

According to the reports, the Bush White House rejected the offer because key players in the administration preferred to pursue a policy of regime change with Iran rather than accommodation even on favorable terms.

First, are you familiar with this offer, which obviously predated your tenure in your current job? Do you believe that it was an authentic offer? Do you believe that that was an opportunity for diplomacy? Did the U.S. make an effort to confirm the seriousness of the offer?

Was this a major opportunity missed or merely, as some of your colleagues have suggested, much ado about nothing? Are those not

the opportunities that you are now seeking? Finally, why is the administration always 180 degrees out of phase with the world?

Mr. BURNS. Congressman Ackerman, I was in 2003 at NATO. I was not working on the Iran issue obviously and so I have no personal knowledge whatsoever of what I have now read about in the newspapers over the last month as this reputed offer by the Government of Iran.

I can tell you that you have seen the comments of the people who were in positions of authority at the NSC, including Secretary Rice.

Mr. ACKERMAN. Let me just ask. I don't mean to interrupt, but just as a clarification. Wouldn't you out of curiosity ask people that were there at the time while you were over at NATO if this really was true?

Mr. BURNS. Well, I can tell you we were fully occupied at NATO in 2003. Obviously this is an issue of great interest.

Mr. ACKERMAN. Yes, I know, but like yesterday or last Thursday or something like that.

Mr. BURNS. It is an issue of great interest, and the people who were at the NSC and the State Department at the time in positions of responsibility have spoken to this.

I think the totality of the people who have spoken, including Secretary Rice, the totality of views is that our Government was not at all sure that this was a legitimate offer of the Government of Iran.

Mr. ACKERMAN. So the offer was made and we weren't sure if it was legitimate. That is what you said?

Mr. BURNS. I think that is what a number of people have said, and this is absolutely part of the MO of the Iranian Government to send up lots of flares.

Mr. ACKERMAN. But now you are in treaties here where basically we should be engaged in discussions and negotiations, and indeed that is what we are doing, but how do we know that these are legitimate?

Why did we allow—2003, 2004, 2005, 2006, 2007—4 years to pass while a nuclear program proceeded and all sorts of atrocities and bad words and bad blood and more mistrust and everything else have gone by?

I mean, when you ask somebody to negotiate, how do you know they are serious? We should have pursued this 4 years ago. No? Yes? Maybe?

Mr. BURNS. If you are asking for my personal view, I think it really is much ado about nothing. I will tell you why.

What the Iranian Government does very consistently, especially when they are about to be sanctioned as they are in the coming weeks at the Security Council, is they send out lots of emissaries, they make lots of public statements, and half of them are rubbish.

Mr. ACKERMAN. So if they appear to cave in to your request right now, and maybe that is a bad term of art. If they willingly agreed and saw the light about what you are asking them to do right now at a time when they are about to be sanctioned, why would you believe them now?

Mr. BURNS. Because we would be able to verify that they have met the condition for the negotiations. This is the P5 offer, that

they would suspend their enrichment programs to negotiate their nuclear future, and that would be——

Mr. ACKERMAN. But if they made the offer before we could have attempted to verify.

Mr. BURNS. That would be verified by Mohamed ElBaradei.

Mr. ACKERMAN. Yes, but we could have said in mid 2003, being that they reached out to us and said they were going to do all these things. Why couldn't we say okay, we just want to verify you are willing to do it. Whatever it is you are willing to do now, why couldn't you have done then?

Mr. BURNS. I think the present opportunities before us are interesting enough to contemplate. Frankly, rather than go back and argue about what may or may not have happened in 2003, we have the opportunity now to sit around the table with them Friday in Baghdad to talk about stability in Iraq. We have the possibility that they will meet the conditions of the P5 to negotiate the nuclear issue.

We are fully occupied with that, and most of us just weren't around in our current positions in 2003, frankly, to spend too much time looking at that when we have these major opportunities with Iran perhaps in the future.

Mr. ACKERMAN. Well, we are glad you are there now, but I think we blew it or possibly blew it in 2003. We can't go back and figure that out now, but I think there is a complete turnaround. I think it is maybe a good idea, but I think we blew it for 4 years.

Thank you, Mr. Chairman.

Chairman LANTOS. Thank you.

Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Ambassador Burns, again thank you for your diligence and hard work. I give you a hard time sometimes, but I give everybody a hard time sometimes.

I want you to know that we are very grateful for the effort put out by you and the members of the State Department to try to, as you say, bring peace to this troubled region in a way that is consistent with our national security interests.

I would like to ask you a specific question and then more of a general question about is it the MEK? They call themselves in Iraq Mujahideen, I guess. Some people believe that they are a force that should be supported in their efforts against the Iranian Government. They are Iranian. Some people believe that they used to be a Marxist-Leninist group and have actually killed American soldiers in the past and should be looked at as a terrorist organization.

What is our position on that?

Mr. BURNS. Congressman, thank you. Our position is that we have not dealt with the MEK, and we have treated it as a terrorist organization.

You are right that there has been a debate in our country about how we should approach the MEK. Some people believe that the MEK could be an instrument against the Government of Iran, but our view is that they have been involved in violent activities against the United States and our military in the past and should be treated accordingly.

Mr. ROHRABACHER. And we don't see a change that would justify our changing that policy?

Mr. BURNS. I am not aware of any such change.

Mr. ROHRABACHER. All right. Thank you. About my original point, and again let me note that I am in no way trying to soften the outrage that we have about the Iranian Government providing explosive devices to those elements in Iraq that are killing American soldiers. We need to address that, and I am very supportive of the administration's efforts.

It seems to me that we have such an extraordinary focus on that as compared to not holding accountable the Saudis and some of the other Sunni regimes that have been so involved with providing at least financing for the terrorist explosions that have killed so many thousands of Iraqi citizens.

Can you explain that to me why we have not held or don't seem to have held the Saudis publicly accountable while we just focus on the Iranians? Not that I don't want to hold the Iranian's feet to the fire. Don't get me wrong. I agree with your outrage on that, but shouldn't we put a little focus on that other, on the Saudis and the Sunni regimes as well?

Mr. BURNS. Congressman Rohrabacher, we are primarily concerned with those forces that we can see that are providing technology to kill our soldiers. We know that the Iranian Government has provided that technology, as President Bush said back on January 10.

In terms of the Sunni violence, our impression is that much of it is produced by Sunni insurgent forces, Sunni internal forces, terrorist forces, and also by al-Qaeda in Iraq. Its activities are well known. We would never accuse our friends and our partners in Saudi Arabia or other countries with aiding and abetting those groups to attack American soldiers.

Mr. ROHRABACHER. Mr. Chairman, might I suggest, and this is with all due respect to our witness. I think this committee should investigate the Sunni connection to the mass killings that go on in Iraq because obviously the administration doesn't believe that there is a connection between some of these regimes and the violence that is going on.

Chairman LANTOS. I thank my friend for his suggestion.

Mr. ROHRABACHER. Okay. I would just add in closing there is ample evidence. I am not here to have a diatribe about this or something, but there is a Web site of Saudis that have lost their lives in Iraq while fighting us, a Web site of martyrs, lists of martyrs, hundreds of names.

To suggest that these very wealthy Sunni interests are not financing this insurgency I think is not going to help us bring it to an end, but I want to congratulate you for all the hard work that you are doing on Israeli-Palestinian issues, the Lebanon issues that you have raised. Of course, we wish you all success.

Chairman LANTOS. Thank you very much.

Mr. Payne.

Mr. PAYNE. Thank you very much.

Ambassador Burns, I, too, agree with Representative Smith that I think we missed an opportunity by not participating in the

Human Rights Council at the U.N., a certainly far from perfect group to say the least.

There was a move, as you know, to modify and change it, and there were some changes where not only regional groupings voted for members, but it had to get a certain percentage of people from outside the region, which was a major change because of that influence outside the regions—the regions were kind of tightly knit—and a number of other suggestions to attempt to change the terrible image that the Council had.

I think that when you talk about the four bad hearings they had on Israel, and there were one or two others that were held by the total Council, by us being a member of the Council it would seem to me that we would have an opportunity to try to change what went on. You can't change it from outside.

I just can't understand the rationale for us totally rejecting not only at the initial change which was made a year or so ago, but for the new round of countries where they are even going to expand it by another 15 or so countries or more to expand the Council, and we once again are refusing to participate.

Could you explain to me how we do better by not trying to influence the decisions? It is not like it is a Democrat, a Republican and a third party. I mean, you are either in or you are not. You don't even have a Ross Perot. How do we deal with that, sir?

Mr. BURNS. Thank you for the question, and I understand why you are asking it because it is an important question.

We had high hopes for the Human Rights Council. We were among the leaders in creating it back in 2005 and 2006. You remember that time when we recreated many of the U.N. institutions because the Human Rights Commission, its predecessor, had been so frankly poor in what it did, so discredited.

All that Council did in 2006, the new Council, was to bash Israel. We repeatedly tried to use our influence on that Council to try to get them to focus on the real human rights violators in the world, and it wouldn't.

Mr. PAYNE. That is my point. If we had been in there, if we had been a part of the discussion leading up to what is going to be debated, I just still believe that we could have had some kind of influence in perhaps changing the tone, changing the tenor, changing the focus, at least modifying, perhaps finding their—

Everyone on the Council is not in support of what the Council did, but if there is no strong advocate for that those weaker countries that are looking for some leadership, they roll over because the others are so dominant, and there is no buffer, no counter-balance to that influence.

My time is going to expire. As you see, the chairman hits the gavel quickly so let me let you have another second or two of what you want to say on that.

I do have another quick question about the apparent change in the administration shift toward regional talks, which I support the fact that Iran and Syria could be in these talks. I don't know why we made it so clear that we will not talk to Iran while they may be sitting next to us at some coffee break. You know, that is where a lot of breakthroughs are made.

Could you explain whether there is a shift? Should this be considered a shift or not? If so, what seemed to change since the President's speech on January 10 where he said he didn't want to talk to Iran about Iraq, although I think we should talk to anybody that we can to try to see if we can come to some solution?

Mr. BURNS. Thank you, Congressman. I just wanted to say, if I could, on the human rights question that we understand that the United States has an obligation to be a leading voice on human rights, and we understand that tradition goes back to Eleanor Roosevelt at the United Nations and the U.N. Declaration of Human Rights.

Secretary Rice has directed that we be as active as we can be on the issue of human rights at the U.N. We may not sit on the Council, but we will be influential in the affairs of the Council and we will raise human rights issues.

Just recently we put Burma on the Security Council agenda. We had to get nine votes to do it. It took several months. We brought a resolution on Burma human rights to a vote. It was vetoed by China and South Africa, but we are going to continue to press the issue of Burma and North Korea and Zimbabwe and Iran, Cuba, the major human rights violators of the world. I can assure you of that. We will be very, very active.

On your second question, we have come to the conclusion that on the issue of Iraq it does make sense for us to respond to the Maliki government's request that all of the neighbors of Iraq sit down at a conference at the ambassadorial level this coming Friday, hopefully at the ministerial level in a month or so time, and to invite in some of the countries that are active, like the United States, in Iraq to see if we can help to promote the political stability of the country, support the government and the ethnic conflicts or at least reduce it in the beginning stages and to fashion, if you will, pull together a much stronger international support for what the Maliki government is trying to do.

Iran and Syria we believe have been agents of instability and so hopefully this kind of environment will lead them to reflect on what they are doing and feel the pressure of various states, including our country, to play a more responsible role. That is the motivation. You asked why we have made this decision. That is the motivation.

In a separate arena, as I said in my testimony, we would like to reach negotiations on the nuclear weapons issue, but there we are acting in a multilateral group that includes the other permanent members of the Security Council and Germany. That group has been together for the better part of the last year and a half. It has been a very effective instrument to get our view across to the Iranian Government.

Chairman LANTOS. Thank you very much.

Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman.

I wanted to go to a question that Ambassador Burns mentioned in response to something Chairman Lantos asked you, and that was about European export credits. As you say they are now decreasing, but I would like to explore that a little bit because I can understand European businesses seeking commercial ties to Iran.

What disturbs me is that these businesses are being subsidized by European Governments to carry out this kind of trade. Without these subsidies, the market would realize the risk of doing business with the regime, but European Government-backed export guarantees are in fact fueling the expansion. If we look from 2003 to 2005, you have a 29 percent increase.

You know, it wouldn't be so objectionable if we were actually increasing Iranian contacts with the outside world, but this isn't trade in the marketplace it turns out. The vast majority of Iranian industry is now state controlled so you have a European policy of subsidizing two-thirds of their exports in Germany's case into the country in order to do business with state-run businesses.

As I understand the Security Council negotiations there is this consideration of a ban on export credits to Iran, and I can imagine that is a tough sell, but it is worth pressing on for this reason. The great oddity is that private sector European institutions are realizing the risk. They are in the papers every day for pulling out, getting out of Iran, while the foreign governments are the problem. I imagine it is going to be a tough sell, but I wanted to ask you about that.

Second, let me just say in bringing financial pressure on Iran I suspect we are employing many of the successful lessons learned that were brought against North Korea; for example, the case of Banco Delta Asia in Macao.

It is that ripple effect, enormously successful against North Korea, that we are attempting to recreate here I suspect, but I do have a concern here with North Korea, and that is we have forgotten how we got this far and that we might relent on the pressure on Banco Delta Asia.

We committed to resolving the issues around the bank, but when you testified before this committee on North Korea last November you said that the way to resolve this is for North Korea to stop counterfeiting American currency. We haven't received those assurances. That greatly disturbs me, and yet Secretary Hill said we are going to resolve this, and so I would like to go to that question about having them stop counterfeiting our currency.

Thank you, Ambassador Burns.

Mr. BURNS. Thank you, Congressman Royce. I think you are right to focus on the financial issues. We are trying to weave together multiple pressure points on Iran—the carrier battle groups in the Gulf, the push back against them in Iraq that we have done over the last month, the Security Council sanctions.

Most people now think that the most effective instrument we have are the financial instruments. It is the combination of Treasury using its Patriot Act authority to sanction banks. Now, Bank Saderat and Bank Sepah can no longer trade in U.S. dollars. That is a significant sanction against them.

You are right to focus on export credits. We have said, and I have said to my European colleagues, our country has sacrificed for 27 years in imposing full-scale sanctions on Iran. It is time that other countries sacrifice with us so that we have a more effective international—

Mr. ROYCE. It is not a sacrifice. Let me interrupt you for a second. It is not a sacrifice. We are just asking them not to subsidize it. That is the point.

Mr. BURNS. It is a sacrifice for companies to give up business opportunities. We have done it because we have a higher objective.

Mr. ROYCE. But in our case we prohibit the businesses. In their case they are guaranteeing the businesses that regardless of the economic decisions which make no sense, that cause implosion potentially in the government and hyperinflation, that the taxpayers of Europe are going to subsidize. That is the difference. I mean, it is very stark.

Mr. BURNS. Well, I think we agree with each other.

Mr. ROYCE. Absolutely.

Mr. BURNS. I certainly agree with the point you are making.

Congressman, what I would tell you is the trend line is in the positive direction, meaning the Japanese Government informed us last week that they are beginning to reduce their export credits to Iran. The European Union Governments both collectively and individually—Germany, Italy, France—are beginning to do that as well.

That is an encouraging trend which we want to push on, and I think you will see reference to export credits, at least I hope you will, in the next Security Council resolution in New York.

Iran needs and wants integration. It is not a country like North Korea that is willing to live in isolation. It wants investment. It needs to import 60 percent of its gasoline, and it needs that kind of continual flow of investment and funds. We are trying to choke that off, and that is an effective policy for the United States.

On North Korea I would only say that I think we have seen some movement since the time that I testified before Congress in November on North Korea. You have seen the Six Party agreement, the magnificent negotiating job of Secretary Rice and Ambassador Chris Hill, and you have seen us form this working group with the North Koreans led by Danny Glazer of the Treasury Department to work on the Banco Delta issue, and of course we are going to insist that North Korea stop counterfeiting the American currency. We think that issue can be resolved in that channel that has been created.

Mr. ROYCE. And apparently it is not—

Chairman LANTOS. Thank you very much.

Mr. Sherman.

Mr. SHERMAN. Mr. Secretary, you talked to us about how important and vital it is that we have stopped two Iranian banks from dealing in United States currency. Why not stop all Iranian banks from dealing in United States currency?

Mr. BURNS. Congressman, I would say this. The Treasury Department has been willing to use the authority given to it by Congress in the Patriot Act. You have seen that, and I wouldn't foreclose—

Mr. SHERMAN. Are you saying that the Treasury Department doesn't have the authority? That would be one thing we would probably give them.

Mr. BURNS. No. I am saying that we are willing to use the authority that the Congress has given to the Treasury Department,

and you have seen Treasury use it. I can't sit here and speak for the Treasury Department.

I am not an officer of that department, but I will say this. As a Government we are determined to press forward on these types of sanctions, and I would be very surprised if you didn't see us move forward with similar actions in the future.

Mr. SHERMAN. Well, it is about 6 years later than we should have and two banks when we should have done all, but you will get there eventually.

Now, you know, I have urged you and the President and Secretary Rice to link Iran policy to other issues of concern to Russia and China in order to secure Syria's chapter 7 sanctions. Like all ideas, it is presented to the State Department, and the natural reaction is to reject it at least initially.

The rejection has taken two forms. One is to exaggerate what we have achieved at the U.N. so far. We have chapter 7 sanctions, but all they do is they don't help Iran build nuclear weapons and don't help the Iranian nuclear program, which is devoted exclusively of course to building nuclear weapons. Obviously that is just a small pea compared to Iran actually giving up its nuclear program. Even those sanctions have a big exception big enough to fit a nuclear reactor through, namely Bashir.

The other way that the idea of linkage is rejected is to exaggerate the amount of time that we have to achieve our objective. In your opening statement you told us, "Please be patient." We have been for 6 years. We have time is another phrase. Toward the end of your opening statement you said let us look to the medium and long term.

This is not a bombing run which would have some immediate effect. This is economic sanctions, so we are talking about slowly getting to the point where the economic sanctions are so severe that they impact the Iranian economy. That impact becomes so intolerable the people of Iran, the politics of Iran demand a change in policy where the extremists give up something as critical to them as nuclear weapons. That is a long process, and we are just at the beginning of that process.

Do we have weeks? Months? Years? How patient should we be? How long before we get sanctions that have a strong impact on the Iranian economy if we are going to have this whole process take place before they obtain sufficient fissile material?

Mr. BURNS. Thank you, Congressman. I have great respect for your knowledge of this issue. We have talked many times and so if I disagree with anything you have said it is with great respect.

I would say this: We have done very well with Russia and China. We are not completely like-minded. We certainly employ different tactics at the Security Council, but we have kept together a coalition that includes Russia and China, and that has been a powerful message to the Iranians, and I wouldn't underestimate that.

Second, when the Security Council resolution passed on December 23, I will tell you that I felt perhaps it wasn't strong enough too after 2½ months of negotiations. We have been pleasantly surprised to see the impact it has had inside Iran.

I think the Iranians are less concerned with the specific aspects of those sanctions than they are with the isolation that it has

brought them and the international condemnation it has brought them. I think they were surprised that Russia and China joined us.

Mr. SHERMAN. Mr. Secretary, let me ask the question another way.

How far are we away from U.N. sanctions so that no nation may export refined petroleum products to Iran? I know you deal with foreign ministries, et cetera, but if you are talking about a process by which the people of a country demand a change in policy, some of us up here are familiar with that, and I don't think you are going to get there as long as refined petroleum products can be exported to Iran.

Are we anywhere close to achieving Russian and Chinese support for something that significant?

Mr. BURNS. No, and, as Secretary Rice and I have both said to Congress in various appearances here, we are not now seeking sanctions on oil and gas.

We are trying to use multiple instruments—military, as we have done in the Gulf and in Iraq, economic and financial, diplomatic, as well as the sanctions at the United Nations and outside the United Nations—and we think those multiple points of pressure make sense right now. I think we are making progress.

I would just like to address your last point. It is a very important point. How much time do we have? Secretary Negroponte, when he was director of National Intelligence, testified before Congress and gave a projection of the intelligence community. I am not in the position and have no inclination to argue with that projection.

My view is this: Rather than rush off, and I am not suggesting that you favor this, but rather than rush off to a conflict with Iran we ought to exhaust the diplomatic opportunities. We ought to build international coalition as we have done to pressure them. We ought to look for ways to try to get them to the negotiating table and use diplomacy, but diplomacy in my personal experience as a career Foreign Service officer in most instances requires time, requires patience. It also requires energy and commitment.

I can assure you we have that because our objective is to deny them a nuclear weapons capability. It is not to go along with them. It is not to risk that they might get it. It is to deny them, and we think that diplomacy can do that.

It doesn't mean that we will succeed, but it means that we should give that a chance before we leave our national leadership in this administration or the next with one option, and so that forms the basis for our strategy.

You know, we were I think rather surprised in the administration to see the drumbeat of criticism that we were marching off to war in January and February. You have seen the President and Secretary Gates and Secretary Rice say consistently we are trying to give diplomacy a chance. Diplomacy is intricate, and it involves all these multiple points of pressure. I for one think it is the right policy for our country at this time.

Chairman LANTOS. Thank you very much.

Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and I thank everyone for their great questions and you, Mr. Ambassador, for your wonderful answers.

Why have we not implemented the sanctions that are available to us? We tell the international community that you don't have to wait for the U.N. Security Council to act, you can impose sanctions, yet we don't do that ourselves even though we passed this law in various ways in different years.

You said that the proposed international deals are not yet at the level where we can use sanctions. At which point will we have sanctions available to us? For example, if Royal Dutch Shell and Repsol go forward with their plans to develop Iran's South Pars oil fields, would this violate the Iran Sanctions Act? Will we then implement what our laws say?

I think we would agree that preventing investment in Iran's energy sector does have a dramatic impact on Iran's ability to finance its nuclear programs, so why don't we become the leader in making sure that we implement all of the tools that are available to us? Before we tell other countries what they should do, let us implement the sanctions.

Mr. BURNS. Thank you, Congressman Ros-Lehtinen. I know that you have been a sponsor of this legislation and I gather will be supporting Chairman Lantos. We look forward to reading that legislation.

I for one don't think it would be appropriate for me to criticize that legislation before we have read it, so we will give you the courtesy of reading it and asking questions, and hopefully we will be able to support major aspects of this.

Here is how I would frame the issue from our perspective. We support the Iran Sanctions Act. We supported the reauthorization, as you know, last summer and last autumn with the Congress. It is important that companies not invest in the long term or the medium term in Iran's oil and gas sectors.

We have gone to the CEOs and the corporate officers of many of these companies, including Royal Dutch Shell, to say this is not a good idea. We are opposed to it. We would ask you to reconsider it.

It is our view that in the Malaysia case, the China case, the Repsol case and Royal Dutch Shell they have entered into what are preliminary agreements, but have not signed long-term contracts. We have made the point to some of them that it is our view that if they sign those long-term contracts they would be in violation of the Iran Sanctions Act and so we hope that the ISA would be a deterrent to those companies, and we know that it has been a deterrent to several companies in the past so this does bear watching. It is on our radar screen, and it is important.

The final thing I would say is a point that I made to Chairman Lantos, and that is this: We support ISA, the Iran Sanctions Act, but we also hope that the major pressure from our Government would be on Iran, not on our allies.

I say that for the following reason: We have had success since March 2005 in building this international coalition. Before that we were not involved in the international efforts to try to stem Iran's nuclear progress. We had sat out from the negotiations that the EU3 had led, and then President Bush decided in March 2005 we would join the effort.

We grew that circle to include Russia and China and then India and Brazil and Egypt and the IAEA Board of Governors, so rather than focus the full attention of our national weight from the Congress and the administration on our allies, we would rather focus it on Iran.

Ms. ROS-LEHTINEN. On Iran, just one last question, Mr. Chairman. Thank you for the time, and thank you, Mr. Ambassador.

For the longest time the Bush administration has been very clear about not negotiating with or engaging Iran until it stopped its uranium enrichment, and in just a few days we will have what you could call indirect or direct talks because of the problems in Iraq, and they will involve Iran and Syria.

What is the Bush administration's position on what could have factored into this change—or at least this perception of change—when in the past year, if there has been any movement on the part of Iran it is to make even worse statements about Israel, to make horrific statements about the United States, to increase its centrifuges, and to continue with its water reactor project.

In words and deeds, Iran has proven to be an unworthy participant in direct or indirect negotiations. I know that is the big question, but why reward such behavior?

Mr. BURNS. I don't think we are. We have been consistent for 2 years in asserting the following point: We will not negotiate on the nuclear issue with Iran unless it suspends its enrichment and reprocessing programs at its plant in Natanz.

That, as I have said before, but it is very important, is not just a unilateral American demand. It is the demand of Russia, China, the three European countries and now the entire Security Council and so we will stick to that.

We hope that the Iranians will accept the offer to negotiate. In any negotiation, even with a country or a regime as difficult as Iran, it is important to provide exit doors. You don't want to corner the other country. We have provided an exit door.

If they suspend for the life of the negotiations their enrichment programs we have said that we would suspend the Security Council sanctions and that we would negotiate them, and Secretary Rice has said that she would be at those negotiations personally. It would be the first face-to-face meeting of our national leaderships since the administration of Jimmy Carter, a long, long time ago. We have been consistent on that.

On the Iraq issue, the reason that we are sitting down around a table with them on Friday in Baghdad is because the Government of Iraq asked us to make this decision. They felt it was important to get their neighbors there with countries like us that have decisive influence inside Iraq to help stabilize Iraq, and we thought that was the best decision for our country.

Chairman LANTOS. Thank you very much.

Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman.

I would like to just follow up on Congresswoman Ros-Lehtinen's suggestion that the United States first follow through on their expectations of others just by a comment, and the comment is I also think the United States should implement our own U.N. and international nuclear agreements. I think that would make a difference.

My question is kind of in two parts. First of all, Mr. Ambassador, and, by the way, thank you very much for being a witness and staying here so long with us. We are learning a lot. I know I am.

How popular, how strong is President Ahmadinejad? I mean, is he really the leader, or is he just out there rattling sabers?

You said, as part two of the question, that the United States I believe you said wrestling team—not soccer team—was greeted with rapture or rapturously greeted, so we are liked. The United States is really liked by the Iranian people from what I understand, the civilians.

What will happen to that popularity we have if we get goaded into taking on a position of conflict instead of negotiations?

Mr. BURNS. Thank you very much. On your first question, you are correct that President Ahmadinejad is not in the supreme position in the Iranian governing structure. That is the Supreme Leader, Ali Khamenei, who is in the top position.

President Ahmadinejad obviously won the election in August 2005 because he had a constituency of sorts that he spoke to. He has styled himself as a champion of the underclass and of the poor, but we believe that he is increasingly in trouble inside his own country.

There have been student demonstrations against him. There is widespread unhappiness among those who prize democracy and human rights that his government has been grossly intolerant of those human rights. Most interestingly, as I mentioned before, a newspaper that is thought to be that of the Supreme Leader has been very critical of him for his handling of the nuclear issue.

His statements on Israel and the Holocaust are reprehensible and have brought worldwide condemnation, so our view is that he was once riding high, but his star has dimmed a little bit.

I must say there is a degree of humility I think that we have to exercise in commenting upon events inside Iran. We don't have an Embassy there. There are very few Americans who live there. There are very few American journalists who report from there full-time and so where we try our best using all the resources at our disposal to understand the events inside Iran, but as we are not there and it is a distant country these are impressions that we have, and we try our best to understand the dynamics that are shaping the country.

The irony that you mentioned is really quite striking, and that is in a Middle East where there is a lot of anti-Americanism unfortunately for our country, the public opinion polls would show most Iranians have a good attitude toward the United States, a positive attitude toward our country and even toward our Government, which is ironic.

We try to of course exploit that by Voice of America, by Radio Farda, by bringing Iranians to the United States, by bringing Americans to Iran. Along with the diplomatic isolation of the last three decades, there has been an isolation between the peoples.

We can correct that. We can bring more Iranian students to the United States, and we should do that because that might provide for part of the long-term change in attitudes toward our country that we would like to see and change within Iran that all of us would like to see.

Ms. WOOLSEY. But what happens to that popularity if we either step in and start dropping bombs on their nuclear facilities and/or think that it is our responsibility to lead regime change?

Mr. BURNS. Well, on the first question our policy is not to seek a military confrontation with Iran. It is to seek a diplomatic solution to the problems that we have with Iran.

On the second question, that is not our policy. Our policy has not been one of regime change. Our policy is one of seeing change in the behavior of the Iranian Government, and that I think has been the policy for quite some time.

Ms. WOOLSEY. Thank you.

Chairman LANTOS. Thank you very much.

Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr. Chairman.

Although not the original questions I had in mind, but your comments both to Mr. Rohrabacher and then just now to Ms. Woolsey, especially in terms of our lack of information about Iran and what is happening inside Iran and the fact that you were not aware of anything that had happened with regard to the MEK that would change our designation of it from a terrorist organization. Those two things prompt my question.

First of all, it is I guess in a way an elucidation more than a question, but I just want you to know that this organization at least was first brought to my attention by the ranking member, and since then I have studied it to some extent.

One of the interesting things that you find is that they were placed on the terrorist watch list by President Clinton. They were placed there not because of any action they took against the United States but because it was part of a deal that was cut with the Government of Iran.

The mullahs, in order to develop some sort of rapprochement, there was an agreement on our part to put the MEK on the terrorist watch list. It was not because of any actions taken, and I underline that, by them. It was that we were trying to placate the Government of Iran at the time, and that is what they wanted. They hate this organization.

Now I have no idea, and I couldn't care less, whether or not they have any popularity inside the nation itself. I do know that when you realize that there is that kind of enmity there between the leaders of Iran and this organization, it peaks my curiosity as to why.

Even other members of the administration, by the way, have been here and testified that information, valuable information, has been provided to the United States of America by this organization, by the MEK, specifically in regard to the nuclear capabilities in Iran. Now, unless there is some elaborate ruse of which I am not aware, that should be an indication that the designation as a terrorist organization should be rethought.

Finally, there are the comments of a number of people who have been involved with them, directly involved with them at Camp Ashraf, which is where the MEK are now being kept on, by the way, a protected basis, protected citizens. Not incarcerated, but protected by the American military.

Here is the comment of General Raymond Odierno, the commander of the Fourth Infantry and now the assistant chairman of the Joint Chiefs of Staff. He commended the MEK at Camp Ashraf for their cooperation and stated that the MEK should be reviewed to determine whether they are still a terrorist organization.

Colonel David Phillips, another former commander at the camp, said that he was exceptionally impressed with the dedication of the MEK. Camp Ashraf was the safest place within his area of responsibility.

A *New York Times* article not too long ago in which it talks about the fact that there was an extensive investigation of every single person at the camp—the FBI went in and looked—and they came to the conclusion that there was nothing there. There was no one there that posed a threat to the United States or could be thought of as a terrorist.

Now, I say all this because we are contemplating—I read someplace not too long ago that we were actually thinking about—taking as part of the negotiations, the Six Party negotiations with Korea, taking them off the terrorist watch list. It is a thing we might hold out there as a possibility.

It is incredible to me in a way, and again it wasn't my original set of questions, but because of the responses here and because of the need for us to actually have this kind of access inside of Iran, have the ability to know what is going on with people who do know the language, do understand the culture and could be used by us.

I just wonder, Mr. Ambassador, whether it is not in our best interests now to actually rethink this whole thing, especially, as I say, if we want to push our desire to not have regime change. Our desire is to simply force Iran into becoming a better nation in terms of its relationship with the rest of the world.

If that is what we want, why would we not use this one at least—it is a small thing I admit, but I think an important piece of leverage that we may have with them in the possibility of taking them off that list.

Mr. BURNS. Thank you very much. I would just say this on the MEK. There has been a long discussion in Washington and between Congress and the Executive Branch about this issue and within the Executive Branch.

Much of that discussion we could enter into in a classified session, and I would be happy to do that at any time and respond to any of your questions in classified form and be happy to take those questions today.

But for the most part what I can say in this session is that it is true that some members of the group have defected and have shown their capability for redemption of sorts, if you will, but most of the group remains intact. We believe the group still has a capacity for violence and terrorism, and for that reason the policy that I talked about before has stood.

Chairman LANTOS. Thank you very much.

Mr. Wexler.

Mr. WEXLER. Thank you, Mr. Chairman. Thank you, Ambassador Burns.

I want to reiterate my respect and admiration for you and for all of the efforts that you have led with respect to the Iranian nuclear

program and in our efforts to thwart it, as well as your efforts in NATO.

I am fully cognizant of the heinousness of the Iranian regime, their duplicity, their dangerousness, but I want to try to hone in to determine, quite frankly, the credibility of our own administration as we develop our Iranian strategy, and I want to follow Mr. Ackerman's question, if I could.

Secretary Rice, when she was here not long ago, said she never saw this purported offer that the Iranians purportedly sent to us in 2003, as Mr. Ackerman described, putting on the table the nuclear program, support by Iran for a two-state solution and their support for Hezbollah and other Islamist-Palestinian Rejectionist groups.

It is inconceivable, Ambassador Burns. You are too smart a man, too prepared a diplomatic, too capable a person, not to know as you chart our strategy with Iran whether or not in 2003 Iran made an offer to this nation. Either they did or they did not. If they did, we either determined it to be credible or not credible. All of this information is 100 percent relevant—in fact essential—to know as we go forward.

It is not respectfully an acceptable position for this administration to tell Congress we don't know, I didn't see it, and who really cares because we have so much on our plate now.

Please if you could, and when it is combined with your comment, correctly so, when you say our policy is not regime change, I believe you. You are an honest man, but yet Colonel Wilkerson and Mr. Leverett within the administration said we rejected that purported Iranian offer because the Vice President of the United States concluded that our policy at that time toward Iran was regime change, and it wasn't going to be negotiation.

We are entitled to know whether or not the United States of America received an offer and what the Vice President and President of the United States decided to do with it, and it is in fact respectfully 100 percent relevant to how we go forward because it speaks volumes as to what is possible or not possible as we begin this new process with Iran.

Mr. BURNS. Thank you, Congressman Wexler. I would just say this: It is my understanding in talking to people 4 years later, because I was not in Washington when all this unfolded, that the vast majority of people involved in it believe that that offer was not genuine and not credible.

Now, there are people who have spoken up who are no longer with the administration who have spoken up and some who are critics of the administration who have spoken up and said the opposite, but the people that I know well, I certainly trust those people, and I trust their judgment that this was not a credible offer.

It does fit a pattern, and here I owe you my best answer in terms of what I believe about the Iranian regime. I think it is a deeply fractured regime, and there are obviously people in that system who genuinely want to have a better relationship with Europe, Russia, China, the United States, who want to negotiate, but there are other people who don't, and we know that Ahmadinejad leads one of those factions.

The pattern of behavior of the Iranian Government, and we have seen it just in the last few days, is before a major international event to focus on Iran like a Security Council resolution they send out multiple envoys to capitols and they make multiple statements. They all conflict with each other. Lots of smoke and lots of evasiveness about what they mean.

Velayati has been traveling around world capitols, Larijani. Ahmadinejad went to Caracas to talk to his friend, Hugo Chavez. He has now got the leader of Hamas in Tehran today. If you did a Google on all the statements made by the Iranian representatives over the last 10 days, you would find wildly conflicting statements about whether or not they are going to negotiate, meet the conditions of ElBaradei or the P5.

What we have to do is sit back, look at all the statements and try to bring our best analysis to bear. I know that the people who were involved in 2003 have told me that they believe that offer was not credible, the people I work with, including the Secretary of State.

Our emphasis now has to be on moving forward to try to work on present opportunities in 2007 to get them to the negotiating table. That is our objective.

Chairman LANTOS. Mr. Pence.

Mr. PENCE. Thank you, Mr. Chairman, and, Ambassador, I would echo the sentiments of my colleagues who have expressed gratitude for your candor and your testimony today. It has been enormously informative.

When I led a delegation a year ago to meet with Prime Minister Nouri al-Maliki he described to a small group, a bipartisan delegation, in his offices in the Green Zone what his first 1,000 days would be, and one of the things that he described was that he would reach out to Iraq's neighbors.

I wrote down the words. I don't know if I was supposed to, but I did. He said I will reach out and offer good relations with our neighbors "on the absolute precondition of noninterference in the internal affairs of Iraq."

My question to you as we begin this process that will begin in a couple of days first I think at the ambassadorial level and then perhaps higher, because by my clock it has been almost 12 months since that meeting. Is this, to your knowledge, the first approach that Iraq has made and the government of Nouri al-Maliki has made to Iran, or have there been other attempts to act on what the prime minister described to me in that meeting? I would be very interested in your candid assessment of that.

Question number two is clearly dialogue with the United States has been a priority for the Iranian regime for some time. I understand how it benefits them. What I am concerned about, as I said in my opening statement, is how it benefits us.

I am particularly intrigued and I am prepared to listen to your suggestion that "we will sit with Iran, Syria and other countries and support strategies to end bloodshed in Iraq and divisive internal struggles."

If you could respond first to what contact, if any, there has been by Iraq to Iran. Secondly, what evidence does the United States have at this point that Iran has any interest in ending bloodshed

in Iraq and why we should place any hope on these discussions that could begin?

Maybe those two questions are interrelated, but I will yield the balance to the Ambassador.

Mr. BURNS. Thank you very much. I would defer to Ambassador Zal Khalilzad on how many times the Iraqi Government has attempted to reach out to the Iranian Government in this fashion, but I believe it is probably the first significant attempt that we have seen.

Mr. PENCE. Okay.

Mr. BURNS. And it has now elicited this positive response from a number of countries, including our own.

What we hope is that this can be a forum that will produce stability, as I said, but you have asked a very important question. How is Iran likely to react?

Based on its present policies, Iran is not acting responsibly. It is not a country that has done what most of us have done, and that is argue for the three major ethnic groups to get together for the state to be held together. It has tended to favor its relations with the Shia population.

The connections between the Shia leaders and Iran are quite extensive because many of them took refuge, as you know, in Iran during the period of Saddam Hussein's rule so that they wouldn't be victimized by Saddam.

So there are close economic relations between Iran and Iraq. Trade has multiplied several times over since 2003. There are extensive political relations, and we believe that Iran has not acted in Iraq's best interest, has not played the kind of role that we are playing, for instance, which is one of a fair arbiter and of a friend to Kurd, Sunni and Shia.

We would ask Iran to do that, but we would specifically ask Iran to stop fomenting violence against our soldiers, stop giving the technology, this EFP technology, sophisticated explosive devices, to Shia militant groups that have killed American soldiers and British soldiers. We have made that very clear to the Iranian Government.

Mr. PENCE. Is there any evidence that they are interested in ending bloodshed at this point?

Mr. BURNS. I have seen no evidence that they have stopped providing the type of technology that I talked about to the Shia militant groups.

There was a fairly dramatic rise on the attacks against our soldiers at the end of 2006 and at the beginning of this year, and that is one of the reasons that President Bush was prompted to make the statement that he did.

I am not aware of any evidence that would lead us to believe that the Iranians have stopped that activity, so it is still an abiding concern, a very strong concern of ours.

Mr. PENCE. Thank you.

Chairman LANTOS. Thank you very much.

Before turning to Mr. Carnahan, let me just say to my two colleagues who will not get a chance to ask questions, I will ask unanimous consent that the record remain open for questions for the record, and at the next meeting we will begin with you, Mr. Scott.

Mr. Carnahan, I recognize you.

Mr. CARNAHAN. Thank you, Mr. Chairman. I will be brief as we try to get over for votes.

You mentioned trying to reach out to other elements in Iranian society and leadership and that there are opportunities there. In particular I wanted to ask you about opportunities to reach out to the younger generation of Iranians with technology on the world-wide Web, satellite television, things that they are viewing from other parts of the world and particularly from the U.S. and what kind of opportunities we have there to take advantage of that, what we are doing.

Secondly, I want to get your comment about the poppy crop production in Afghanistan. Are there some common ground areas there in terms of that really flooding into Iran, into Europe and I know into the streets of the United States? We have had some very high profile cases in the Midwest where I am from of deaths from those high potency drugs, and if there is some common ground areas there that we can work on.

Mr. BURNS. Thank you very much. We have used some of the money given to us by Congress to restructure completely our Web sites. We have a virtual Embassy for Iran. It is our Web sites. We have specific Web sites for specific Iranian cities, and they are targeted at young people who are obviously internet savvy, as opposed to people in our generation who may not be.

Secondly, we have built up Radio Farda, our Persian language radio service, and VOA TV to be on the air much more frequently. Secretary Rice and I have been over to VOA to do call-in radio shows to Iran. I would invite any of you who would like to do that to do so. Congressman Boozman did. People do call in and are very honest about their views toward our country and often very critical of their own government.

I would hope that the Congress would continue to support these programs to reach out to the Iranian people, to bring them here on scholarships. We brought medical professionals to Congressman Delahunt's home state, my home state of Massachusetts, to Harvard Medical School just last month, and we hope to do more of that to ease the sense of tension between our societies. If you will, it is a modern day version of ping-pong diplomacy. It is just wrestling which tends to be the common denominator in our athletic establishments.

You suggested something very interesting, and that is that Iran is the opponent of the Taliban in Afghanistan, and Iran is being affected very negatively by the flow of poppy to Iran itself, and the drug usage we think among Iranian youth unfortunately is alarmingly high.

If you are looking for common ground, and we always must in relations with particularly difficult regimes, we seem to have a common interest in stability in Afghanistan, a common opponent in the Taliban, and we hope that Iran will use its influence to try to diminish the power of the Taliban and also use its influence to convince the governors in Afghanistan to work against poppy production.

Unfortunately, the United Nations said yesterday we may be facing the largest ever poppy crop in Afghanistan in 2007. We are working very hard against that. We have seen that poppy produc-

tion is declining in the north, but in Oruzgan Province and Kandahar Province in the south it is quite high, so it is alarming and it does threaten the future of the Afghan people.

Chairman LANTOS. Mr. Secretary, we are deeply in your debt for a brilliant and knowledgeable and comprehensive testimony. We hope to have you back soon, and I know I speak for all of my colleagues in expressing our thanks.

This hearing is adjourned.

[Whereupon, at 4:20 p.m. the committee was adjourned.]

